



# City of Modesto

Annual Comprehensive Financial Report  
FY 2020-2021 | Fiscal Year Ended June 30, 2021



CITY OF  
**MODESTO**  
CALIFORNIA



**CITY OF  
Modesto, California**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
Fiscal Year Ended June 30, 2021**

**Prepared by  
Finance Department**



**CITY OF MODESTO**  
June 30, 2021  
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## INTRODUCTORY TAB



## **INTRODUCTORY SECTION**





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December 10, 2021

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Modesto:

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) for the City of Modesto (the City). The City Charter and Municipal Code require that a complete ACFR, which is comprised of financial statements and reports on the finances of the City, be submitted to the City Council at the end of each fiscal year. This report fulfills that requirement for the year ending on June 30, 2021.

City management assumes full responsibility for the completeness and reliability of the information contained in this report. We believe the data fairly represents the financial position and results of operations of the City. The disclosures necessary to enable the reader to understand the City's financial affairs have been included. The City's accounting system has been developed and maintained with due consideration given to the adequacy of internal controls. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The evaluation of the costs and benefits of a particular control requires estimates and judgments by management.

The Modesto City Charter also requires an annual audit be performed by an independent certified public accountant selected by the Modesto City Council. The accounting firm of Hudson Henderson and Company, Inc. was selected in 2018 to perform the City's annual financial audits. The auditors have issued an unmodified ("clean") opinion on the financial statements for the fiscal year ending on June 30, 2021 which is presented on page 3. In addition to meeting the City Charter audit requirements, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The auditors' reports related specifically to the Single Audit will be presented separately at a later date.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to be read in conjunction with this transmittal letter.

### **City of Modesto Profile**

Modesto is located in the heart of California's San Joaquin Valley and is the County Seat of Stanislaus County. It is also the retail, service and financial center of Stanislaus County. The City currently occupies a land area of 37.4 square miles and serves a population of 219,294. The City has a diverse economy and population with a strong sense of community pride.

Incorporated as a municipal city in 1884, the City adopted its City Charter on March 12, 1951, with a Council-Manager form of government. The Modesto City Council (Council) is the City's legislative body and is made up of seven elected officials serving overlapping 4-year terms. The Mayor is elected at-large by the entire City, while the six Councilmembers are elected by district and are limited to two terms.

The Council sets policy and tax rates, approves budgets, and passes ordinances and resolutions, which govern the City. The Council also appoints citizens to advisory boards, committees and commissions, and

appoints the City Manager, City Attorney, City Clerk, and City Auditor. The City Manager is responsible for carrying out Council policy and managing the day-to-day affairs of the City.

The City is a “full-service” city including police and fire; public works; water and sewer; community and economic development; parks and recreation; public transportation; and cultural and convention visitor services.

The City’s financial reporting entity includes all funds and activities of the City as the primary government and its component units, which are legally separate entities that operate under the auspices of the City and provide services that supplement City services. The City’s component units are blended into the City’s funds because there is a financial benefit/burden relationship when the City or management has operational responsibility over the component unit. These component units are the Modesto Public Financing Authority and the City of Modesto Community Facilities Districts.

The annual operating budget serves as the foundation for the City’s financial planning and control. The proposed budget is adopted annually prior to July 1 by Council ordinance. The Council’s legally-adopted budget level is at the fund level. Throughout the fiscal year, the budget may be modified. The Council has also adopted fiscal policies that delineate the delegated budget control authority to the following parties: Council, the City Manager, and the Director of Finance.

### **Local Economy**

A major center for local commerce, the City attracts thousands to its environs for work, shopping, and entertainment. Major employment sectors include manufacturing, healthcare, education, and retail. Modesto and its surrounding communities contain canneries, packing plants, and warehouses which ship agricultural products across the nation and the world. An active farm-to-table movement has been spearheaded by the area’s large production of nuts, dairy, poultry, and other locally grown products.

The unemployment rate within the county-wide Modesto Statistical Area (MSA) decreased then increased during the 2020-2021 fiscal year. Unemployment reached its lowest level in the City at 4.8% in September, 2019. The Coronavirus pandemic and resulting restrictive regulations began to rapidly increase the unemployment rate in March, 2020 to 6.3%, with a jump up to 17.7% in April, 2020. As of June 30, 2021, the City’s unemployment rate was recorded at 8.70%, down from the 14.3% rate of a year ago due to lessening economic impacts from COVID-19.

According to Zillow, the ZHVI (Zillow Home Value Index) for homes listed in Modesto was \$389,830 (as of June 30, 2021), an increase of 21.6% over 2020. CoStar Realty Information stated the average Modesto MSA multifamily unit asking rent was \$1,347, up 10.1% from \$1,223 in 2020. Modesto building permit activity during fiscal year 2020-2021 ended with a total of 4,808 permits issued with a valuation of \$169,409,222.

Modesto is a prime and central location for business, and has attracted both start-ups and expanding firms. Specialized health care facilities like HealthSouth and Central Valley Specialty Hospital have chosen to expand their services and operations in Modesto. There is also a strong culture of entrepreneurship and innovation. Datapath, a technology management company with headquarters in Modesto, has been recognized by Inc. Magazine as one of the fastest-growing private companies in America. E&J Gallo Winery, also based in Modesto, is the world’s largest privately-owned winery and the leading US exporter of California wines. The Gallo Glass Company is a state-of-the-art glass manufacturer and a leading producer of wine and spirits glass bottles in the US.

As an entitlement community, the City was awarded \$2,385,772 in Community Development Block Grant-CARES ACT-1 (CDBG-CV-1), and CDBG-CV-3 funds and \$3,928,372 in Emergency Solutions Grants – CARES ACT-1 (ESG-CV-1) and ESG-CV-2 funds to support a range of eligible activities to aid in the City’s response to COVID-19.

The Coronavirus Aid, Relief and Economic Security (CARES) Act provides CDBG-CV funding to enable the City to prevent, prepare for, and respond to coronavirus through providing quality subsidized housing and expanding economic opportunities for low-and moderate-income persons through Department of Housing and Urban Development (HUD) programs.

Eligible CDBG-CV activities include:

- Public Service activities
- Housing-Related activities
- Public Improvements and Facilities
- Activities to acquire real property
- Economic development activities
- General administrative and planning activities

The ESG-CV funds may only be used to prevent, prepare for, and respond to the coronavirus, among individuals and families who are homeless or receiving homeless assistance, and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts created by the coronavirus. People experiencing homelessness shall not be required to receive treatment or perform and other prerequisite activities as a condition for receiving assistance.

Eligible ESG-CV activities include:

- Street outreach
- Emergency shelter
- Homelessness prevention
- Rapid rehousing assistance
- Homeless Management Information System (HMIS)
- Administrative activities

In partnership with Stanislaus Regional Housing Authority and local credit unions, the City of Modesto accepted a Federal award of \$6,398,150 for the Emergency Rental Assistance Program. Congress passed the Consolidated Appropriations Act of 2021 on December 21, 2020 and the Emergency Rental Assistance program made available \$25 billion nationwide to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic. The funds are assisting eligible households through rental assistance programs.

### **COVID-19 Recovery and New Growth**

At the end of May 2021, the Modesto City Council approved a resolution to allocate American Rescue Plan Act of 2021 funding made available to the City in the amount of \$45,897,056 to a set of programs supporting both economic vitality and quality of life, in the immediate and medium term. These programs are in development and will be introduced during FY2021-2022. During FY2020-2021, the City received 50% of the total allocation amounting to \$22,948,528 and the remaining 50% is expected to be received by May 2022.

Proposed Funding for Year 1

<b>Eligible Category</b>	<b>Description</b>	<b>Allocation</b>
<b><i>Economic Vitality</i></b>		
Business Support	Small biz support with expansion and retention	\$1,000,000
Exp Claim / Rev Loss	Revolving loan fund for attraction of downtown development	\$1,000,000
Exp Claim / Rev Loss	Revolving loan fund for water/sewer connection fees	\$1,000,000
Exp Claim / Rev Loss	Tuolumne River – Economic Development	\$750,000
Exp Claim / Rev Loss	Relief Across Downtown Card	\$708,500
Business Support	Implementation of a workforce development program	\$500,000
Exp Claim / Rev Loss	Support for Children’s Museum	\$500,000
Exp Claim / Rev Loss	Support for Awesome Spot Playground	\$500,000
Exp Claim / Rev Loss	Support for Car Museum	\$500,000
Exp Claim / Rev Loss	Support for Convention and Visitor’s Bureau	\$250,000
Broadband Infrastructure	Expanded Wi-Fi downtown and available at community facilities	\$200,000
Exp Claim / Rev Loss	Funding to support the development of Enhanced Infrastructure Financing District	\$200,000
Nonprofit Support	Nonprofit grant program	\$50,000
<b><i>Quality of Life</i></b>		
Public Health/Safety Labor	COVID-19 labor expenses	\$4,700,000
Homeless Services	Homeless Support Program	\$1,000,000
Behavioral Health	Mental Health Clinician Program – Partnership with BHRS	\$800,000
Exp Claim / Rev Loss	Blight Abatement	\$750,000
Exp Claim / Rev Loss	Downtown Beautification	\$700,000
COVID-19 Expenditures	Emergency Medical Service equipment	\$600,000
Revenue Loss	Grants to neighborhoods	\$120,000
<b><i>Governance and Service Delivery</i></b>		
Exp Claim / Rev Loss	Fire Station 1 Deferred Maintenance	\$2,000,000
Exp Claim / Rev Loss	Forestry Program Enhancements	\$1,850,000
Exp Claim / Rev Loss	General Plan Update	\$700,000
Exp Claim / Rev Loss	Discoverer Replacement	\$500,000
Exp Claim / Rev Loss	Cybersecurity Mitigation	\$490,000
Exp Claim / Rev Loss	TSP Battery Back Up System Upgrade	\$250,000
Exp Claim / Rev Loss	Address deferred maintenance at various parks and public facilities	\$1,270,028
Exp Claim / Rev Loss	Upgrade secure online service application software for Utility billing	\$60,000
<b>TOTAL</b>		<b>\$22,948,528</b>

**Entertainment and Tourism**

Modesto features vibrant arts, entertainment, sports and cultural expression. With the Convention and Visitor’s Bureau and Tourism Marketing District, Modesto is committed to attracting visitors by promoting and marketing Modesto as a convention, sports, tourism, and leisure travel destination.

COVID-19 has impacted every aspect of life in America, and Modesto is no exception. Our community continues to work together to bring virtual entertainment experiences to our neighbors and the world. We look forward to returning to a time when visitors return to Modesto to enjoy all the wonderful places and events we have to offer.

Some examples are:

- Downtown Modesto is home to the world-class Gallo Center that brings national and international entertainment, arts and multicultural programming to the Central Valley region. Downtown, you can experience the Historic Graffiti Cruise Route, the Legends of the Cruise Walk of Fame, and the Classic Community Mural Series celebrating the cruising culture phenomenon born in Modesto and immortalized by native son George Lucas in American Graffiti. Live entertainment is a prominent feature in the Civic Plaza and nearby clubs, and a busy calendar of entertaining and educational events can be experienced just across the street at the Modesto Centre Plaza.
- Baseball with the Modesto Nuts baseball team is just minutes from the city center, and golfers enjoy two-highly rated 18-hole courses and a municipal course year-round. Modesto is gaining recognition for its bike routes and trails, and is a frequent host city for the Tour-de-France rated Amgen Tour of California bicycle race. Additionally, water lovers have river parks and kayaking.
- The McHenry Mansion and McHenry Museum anchor the city's loving preservation of its historical heritage, drawing visitors from all over the world. The city's annual Architectural Festival offers free tours, exhibits, workshops and films in the iconic State Theatre featuring one of the best collections of mid-century modernism in the nation. Arts live year-round with monthly Art Walks, and seasonal activities including the Graffiti Cruise, parades, the Modesto on Ice downtown skating rink, the Dickens Faire, ModShop arts and crafts walk, and PorchFest community music stroll bring joy to residents and visitors. Modesto truly offers something great for everyone.

### **Our Strategic Priorities**

During 2020, the City adopted the 2020-2025 Strategic Plan to incorporate input from newly elected Councilmembers and to reaffirm our strategic priorities. Our priorities bring the City's vision and values to life in our community and define our overall direction as a city. It also confirms our commitment to our citizens. While the priorities are individually important, they are also interconnected and cannot be addressed in isolation. In addition, they are the basis of our scorecard that measures success and upon which our performance metrics are built.

- **Quality of Life:** Engage partners across the community to ensure the safety, resilience, and attractiveness of Modesto.
- **Economic Vitality:** Retain and attract residential, commercial, and industrial development to meet the community's needs today and for the next generation.
- **Governance and Service Delivery:** Build community trust in City government through responsive, transparent and efficient service delivery.

### **Long-Term Financial Planning**

The City continues to refine its 10-year forecasting model and update estimates and assumptions used to project future operations. At the end of fiscal year 2020-21, General Fund Balance was as follows: Restricted and Nonspendable: \$5.8 million; Committed: \$18.4 million; Assigned: \$0.3 million; and Unassigned: \$6.4 million. The Committed Fund Balance allows the City to respond to unplanned circumstances and maintain adequate working capital to meet its cash flow needs.

The City's long-term maintenance of a stable fund balance is a direct reflection of the Mayor and Council's leadership and prudent fiscal management. With the impacts of COVID-19, the City will continue to monitor the revenue impacts and monitor the General Fund reserves to address any shortfall during the current fiscal year.

## **SIGNIFICANT EVENTS / ACCOMPLISHMENTS**

### *Quality of Life*

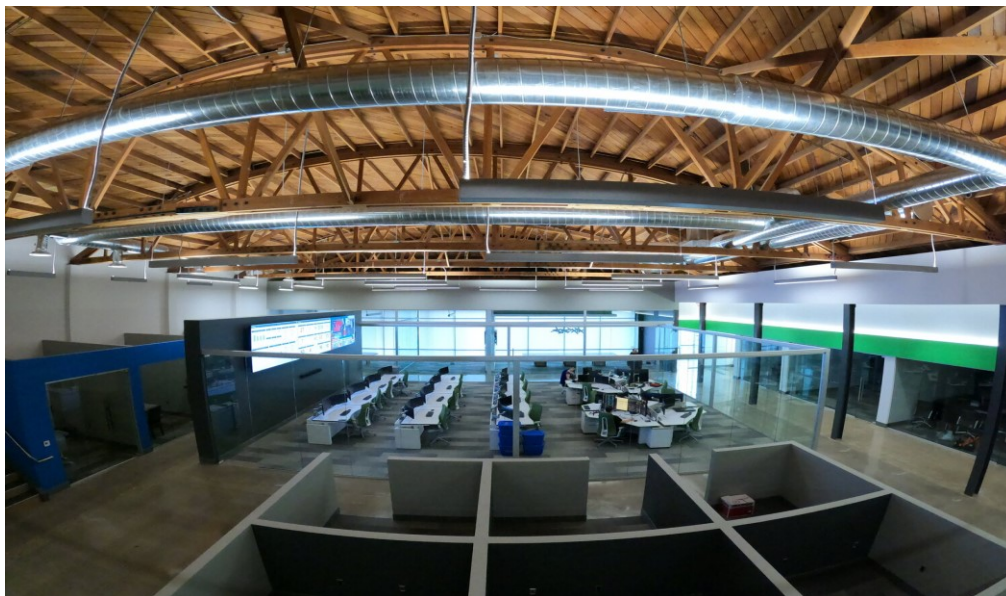
- The Community Forestry Division resolved 2,481 broken limb issues, inspected 4,279 trees or tree sites, and completed 7,456 tree pruning activities.
- The Solid Waste Division recycled 4,501 waste tires and collected 2,898 tons of bulky items.
- Completed transition of Parking Enforcement from the Modesto Police Department (MPD) to Public Works.
- Hired four full-time Homeless Outreach Workers as an alternative response to respond to homeless related calls instead of sworn police officers.
- Reduced overall collisions by 34% and injury traffic accidents by 12%.
- The Homeless Engagement and Response Team (HEART) offered services to homeless individuals over 2,200 times.
- Abatement workers removed 532 abandoned homeless camps and over 283,000 lbs. of trash.
- The MPD Street Gang Unit took 131 firearms off the street.
- The Major Crimes Unit seized over 1.4 million dollars in illegal criminal enterprise money.
- The MPD license plate reader program was expanded to five additional intersections.
- MPD continued to expand the effectiveness of the Real Time Crime Center (RTCC) by adding additional cameras throughout the city, including talk-down speakers at several locations so RTCC operators could speak with the public remotely.



- The Parks, Recreation and Neighborhoods Department coordinated the City's volunteer efforts at 49 events, including Love Modesto, historical properties, and river trail clean-ups. Overall there were 1,825 volunteers that provided 6,821 hours of service with a total leveraged value of \$206,223.



- The Mary Grogan Soccer Complex resumed operations on April 5, 2021 with 133 complex rentals and 13,870 participants.
- The Economic Development division attracted a \$15 million investment by Comcast in expanded high-speed fiber optic internet, a last-mile distribution center, new 108-unit and 200-unit Class-A multifamily developments, two hotel developments, two investments by UHAUL Corporation, replacement of a shuttered Sears with a new Furniture megacenter, facilitated conclusion of remediation certification for the 40-acre FMC brownfield site, and assisted DataPath in its move and expansion to Downtown Modesto, a Federal Opportunity Zone.



*(DataPath's new headquarters office in Downtown Modesto)*



*(New Allure at 2920 Multi-Family development)*



*(New Furniture City megacenter in Vintage Faire Mall)*

- With the approval of the American Rescue Plan Act (ARPA) making available approximately \$45.89 million to the City of Modesto, the City implemented the Modesto Forward strategy that included engaging the Council and public to identify key investment priorities for the first tranche of ARPA funds made available in 2020 to benefit the community and organization.
- The Blight Abatement Committee was created, as a major step toward achieving the strategic initiatives to improve beautification efforts and the overall quality of life in the city – one of the three pillars of the

Strategic Plan. This committee will serve the entire city and its core focus will be how to reduce illegal dumping, tagging, litter, illegal encampments, abandoned shopping carts and much more. Further, this Committee is intended to promote public-private partnerships with the community to ensure a long-lasting blight abatement program.

- Modesto Fire Department (MFD) initiated and coordinated a fuel reduction project in the Tuolumne River Regional Park. Through the use of newly purchased equipment, controlled burns and many man hours crews were able to clear 62 acres land in the park.
- A Memorandum of Understanding was approved between the City of Modesto and the Stanislaus County Fire Warden's office for hazardous materials emergency response. Through this agreement the Fire Warden's office will provide funding that will allow MFD to upgrade to State Certified Hazmat Type I team which will allow for a greater level of specialized service for the City, County and State.
- Through the removal of dead trees and brush, MFD was able to improve defensible space around the famed and historic Knights Ferry Bridge. Within the City of Oakdale, a 30' fuel break was built between homes and the river, making the area safer for homeowners in the area.
- Completed the efforts with City departments to implement Phase I of the Parking Realignment business plan which includes the transition of enforcement from the Police Department to Public Works, as well as updating City Municipal Codes, Administrative Directives, and Policies.
- After a 13 months closure, the McHenry Mansion and McClatchy Square Park resumed reservations on May 1, 2021 and hosted 9 private outdoor events.
- The Parks, Recreation and Neighborhoods Department prepared a draft Memorandum of Understanding between the First Tee and the Boys and Girls Clubs of Stanislaus County to form a partnership and relocate operations to the Roselawn Avenue property adjacent to Dryden Golf Course.
- In response to the cancellation of in-person recreational programming due to COVID-19, the Parks, Recreation and Neighborhoods Department converted several programs and events to a virtual platform including: a Virtual Activity Guide, children's soccer programming, blended Learning Lifeguard Recertification, Bingo with 382 participants, Zumba Gold with 716 participants, Pilates with 236 participants, Coffee and Conversations with 500 participants, Junior Giants with 430 participants, and Spirit of Giving Run with 300 participants.
- The drive-through Celebration of Lights Reverse Parade in downtown Modesto dazzled over 2,500 cars with an estimate of 10,000 participants.
- The Virtual Recreation Center garnered almost 2,500 visits to one of its 118 sites with content for all ages with topics including education, crafts, tours, activities and resources.
- The Parks, Recreation and Neighborhoods Department launched its first Backyard Learn to Swim Video Series containing basic swimming, breathing and life-saving skills that can be followed in a pool or bathtub to introduce beginners to the water.
- The Senior Meals program continued it's "Drive-Thru" operations and served nearly 7,500 seniors over 39,700 meals. Weekly activity packets, monthly dress up themes and giveaways were also provided to keep the senior community engaged during the pandemic. Over 1,000 masks (reusable and disposable) were given out to seniors during senior meal distribution. Mask donations were provided by The Park at Modesto, Seva Hospice, and Dale Commons with an estimated value of \$2,000.
- After School Programming resumed in August 2020 and helped over 22,000 students in-person or virtually, depending on the school's current policy. In this program students have built catapults, practiced digital methods of art, gone on virtual tours of museums and zoos, and had discussions of sharing, fairness, controlling emotions and time management.
- The Aquatics program resumed in-person classes June 2021 with swim lessons and adult water exercise. In addition to the implementation of pandemic safety protocols, the programming was revamped in order to serve more participants, with the summer season teaching almost 1,200 children how to swim in 5 weeks.
- The City partnered with the La Loma Neighborhood Association, a member of Modesto Neighborhoods, Inc., to complete the fundraising and construction of a new playground at East La Loma Park through the Park Partners Program. The playground reopened on May 19, 2021, and features new play areas, benches, and the largest swing bay in the City's park system.

- Improved playground safety in 21 parks with the installation of 1,760 cubic yards of fiber (wood chip) ground covering.
- The Community Development division utilized CDBG funds to assist in purchasing and renovating a property to create the Youth Navigation Center consisting of 24 new emergency low-barrier shelter beds and 16 new transitional housing beds for 18 to 24-year-old adults.
- Partnered with EAH Housing Inc, to develop Archway Commons Phase II in order to construct 74 new multi-family affordable housing units.



- Launched Camp2Home in order to address homelessness from outreach, shelter operations, job training, and rapid rehousing. This program provides a path to self-sufficiency for individuals experiencing homelessness through outreach, shelter, job training, employment and permanent housing. In January 2021, the City doubled the existing Downtown Streets Team, funding a second team of 25 individuals in the inaugural Camp2Home program. Through this program, seven Camp2Home members have secured employment with employers – including the City of Modesto.



- The Homeowner Repair Program assisted 9 homeowners with Americans with Disabilities Act (ADA) improvements, energy efficiency upgrades, lead compliance and safety clearance totaling \$336,000. Provided below are Before and After images of a Homeowner Repair Program project.



- Planning staff approved an annexation of 33 acres on Whitmore Avenue to allow for further industrial expansions.
- Approved two new subdivisions on Wells Avenue for 112 single-family dwellings.
- Approved a 44-unit apartment complex on Dale Road.

- Approved a 35-unit senior and veterans housing project on Vine Street.

### **Economic Vitality**

- Adopted legislative priorities aimed at bringing awareness to the policy issues that affect the City of Modesto related to homelessness, mental health, water infrastructure, transportation and County island infrastructure. This work required engaging the Governor's Office, various agencies, and legislators at the state and federal level regarding the impact that legislation may have on the City of Modesto in an effort to divert or mitigate the impact to the City and its residents. Through this advocacy work with support from Senator Susan Eggman, the City is slated to receive \$5 million for support with County island infrastructure.
- Continued construction on the State Route 132 Freeway/Expressway Phase 1 project. The project is anticipated to be complete in 2022 and the total construction cost is anticipated to be \$117M.



- The Building Services Division installed 14 replacement Heating, Ventilation, and Air Conditioning (HVAC) units throughout City facilities.
- The Solid Waste Division composted 55,245 tons of organic materials.
- Completed approximately 40% of the Heavy-Duty Fleet Shop which will increase efficiencies in labor sharing and parts storage consolidation, allow ability to lift the largest and heaviest vehicles, improve safety for workers, and shorten repair times for City vehicles and equipment.
- The Solid Waste Recycling staff collected and recycled 5.90 tons of California Redemption Value (CRV) keeping it out of the waste stream.
- The Streets Division completed 53.78 lane miles of crack seal applications and 137.88 lane miles of slurry seal application.
- The Traffic Electrical Division replaced 33 down/damaged street lights.
- The Traffic Division secured a new sign printer to manufacturer signs in-house.

- The Traffic Division secured a new thermoplastic striping machine to help increase productivity of the striping crew.
- Completed the Tully Road Pavement Rehabilitation Project between Yale Avenue and Briggsmore Avenue.



- Completed the Coffee Road Pavement Rehabilitation Project.



- Completed the Dry Creek Trail Maintenance Project.



- Completed design and began construction of the Right-turn Lane Southbound McHenry to Briggsmore Ave project.
- Construction of the Del Rio Tank 14, Well 68 & Pump Station Project was completed. The project will increase service reliability, correct existing supply and pressure deficiencies for the City's Del Rio Water System.
- Construction of the Headworks and Dryden Box Project was completed. The project consists of diverse improvements at the Sutter Wastewater Treatment Plant including: screens, compactors, Parshall flume, grit basins, massive in-ground concrete structures, and sewer trunk line installations.
- Construction of the Area 2 Cross Connection Removal – Roosevelt Park Project was completed. This project consisted of the removal of six existing sewer cross connections to be removed, a new underground storm drain system and renovations to Roosevelt Park. This project received a \$4 million Proposition 84 grant.
- Construction of several sewer trunk line improvements were completed including: Crows Landing Trunk, Empire Trunk, and North Trunk.
- Construction of the first phase of sewer infrastructure for the Tivoli Development was completed along Sylvan Avenue.
- Construction of several water main improvement projects were completed including: Kansas Water Main, Spencer Ave Strengthen and Replace, Bermuda Way Strengthen and Replace.
- Awarded \$10M Proposition 1 grant from State Water Resources Control Board (SWRCB) for JM Pike Park Stormwater to Sanitary Cross Connection Removal Project.
- Began construction inspections for three Florsheim subdivisions: Woodglen, Icon, and Metro.
- The Water Services Division continues to maintain approximately 1,000 miles of water mains, with 77 water wells in service and 75,477 water service connections.
- During FY2020-2021, Water Services Division staff performed 8,560 water quality samples, responded to 4,868 water service calls, conducted 2,051 leak checks and 431 Water Wise Consults, and issued 198 water conservation rebates.
- For FY2020-2021, the City water system has shown an average monthly water production reduction of 23.2% as compared to the State's baseline of 2013. This reduction represents an average of 282 million gallons of water saved each month.

- Completed a Trash Assessment of all priority land use areas and identified opportunities to mitigate potential trash impacts to the Tuolumne River that include a mixture of full capture devices and best management practices.
- Completed 1.3 million feet of pipe cleaning.
- Installed 315 new sewer lateral clean-outs for residential customers.
- Installed 11 Drywell systems to replace failing rockwell systems and alleviated routine local flooding.
- Completed cleaning of 3,943 catch basins and rockwells – this equals roughly 16% of our storm system, which needs to be cleaned every 3 to 4 years to function properly.
- Responded to 2,038 customer service calls – a 91% increase in call volume over FY2019-2020. Customer service calls originate from customers that are experiencing a plugged sewer line, localized flooding, or other requests from citizens. The increase is due to the 100 year storm in January 2021 and customers spending more time at home due to COVID-19.
- Environmental Compliance implemented a new pretreatment database program that meets Environmental Protection Agency (EPA) Cross-Media Electronic Reporting Rule (CROMERR) which provides the legal framework for electronic EPA reporting under EPA's regulatory programs.
- Environmental Compliance implemented a pyrethroid pesticide monitoring program for receiving water.
- Completed a total of 1,836 Preventative Maintenance Work Orders on various equipment that's utilized in the Primary Wastewater Treatment Facility at Sutter.
- Completed a total of 6,372 Preventative Maintenance Work Orders on various equipment located at 66 Sanitary Sewer and Storm Lift Stations.
- The City was awarded a \$2.9 million grant from the CA Trails and Greenways Grant Program. This grant will fund the TRRP Gateway to Neece Drive Trail Project, which includes 0.8 miles of riverfront trail with trailhead and parking lot, as well as ADA accessibility enhancements in the surrounding neighborhood.
- The City was awarded a grant award totaling \$178,000 from the Per Capita Grant Program funded by Proposition 68. Funding from this grant program is budgeted for the renovation of the Downey Park Shade Structure Replacement (\$100,000) and the restoration of the Revard Park Playground (\$78,000) that was damaged by a falling tree.
- The Parks, Recreation and Neighborhood's Department submitted 2 grant applications requesting a total of \$17+ million dollars for the renovation of Mancini Park and Dr. Martin Luther King Jr Park (Formerly Mellis Park). Application results are expected in FY2021-2022.
- The Parks, Recreation and Neighborhood's Department completed Surplus Land Act requirements in preparation for future development of a new downtown hotel.
- For the first time in over a decade, rounds of golf played at the City's two municipal courses grew by 35% over last year. Close to 86,000 rounds were played, resulting in over \$1.6 million in green fee revenue.

### **Governance and Service Delivery**

- The City Manager's Office played a critical role supporting the Charter Review Committee in developing recommendations to the City Council in four key areas including: Timing of the Mayor's Election, City Auditor role, Audit Committee, City Manager's Office, and other miscellaneous sections. The recommendations received by the Council now require further review through a Council workshop to determine the items (if any) that will be directed to the ballot in 2022.
- Completed a robust Smart Cities Strategy focused on supporting the core areas of focus for the Citywide Strategic Plan. This completion of this plan is intended to help create and foster a data-culture that values innovation, efficiency, and community well-being through technology and data to drive priority-based decision-making to benefit our community well into the future making Modesto THE place to be.
- The City Manager's Office procured a consultant, Moss Adams, to embark on a several month study of the various engineering divisions across the organization in an effort to find efficiencies and opportunities for improvement. The study found core areas for improvements and possible restructure, and the consultants will be bringing forward an implementation plan by Q4 of 2021.
- To assist in the efforts of future financial planning, a 10-Year Financial Forecast was created. This forecast tool allows for various components to be adjusted to allow for estimations on possible impacts

from choices that are made by the City Council. This tool will be particularly useful as the City moves forward in implementing components of the 5-year Strategic Plan.

- Refunding of the City's Clean Water State Revolving Fund (CWSRF) loan with projected savings in the amount of \$7.6M.
- Amended the TOT ordinance and issued TOT Permits in an effort to increase compliance.
- Updated payment gateway and merchant provider for online phone payments, cutting costs to City by approximately 40% while continuing to provide service at no extra cost to Utility customers.
- Implemented secure online application process for Utility Billing Assistance Program.
- Implemented DocuSign, Electronic Signatures. DocuSign is a fast and reliable way to electronically sign documents and agreements. The implementation of DocuSign has already proven to be beneficial and has increased efficiency and will eventually eliminate the need to route "paper" based documents and agreements.
- Replaced the Modesto Police Departments old eCitation software application with the new Crossroads application. The new software is more robust and utilizes department issued mobile phones, virtually eliminate all manual data entry issues for citations and accidents. The new software application also has the capability to import data into Modesto Police Department's Records Management System (RMS).
- Replaced the IBM Power 7 to the newer IBM Power 9. The City's Utility Billing software system was installed and running on the older IBM Power 7 server. Per the manufacturer, the Power 7 server was at end of life and would no longer be supported. The Power 7 was replaced with the newer Power 9 unit and has full manufacturer support moving forward. Part of this project was to migrate all the current software and data from the Power 7 over to the new Power 9 unit.
- Completed a Cybersecurity Audit that provided a comprehensive evaluation of Information Technology, (IT) policies, procedures, and practices. This information has resulted in a mitigation action plan to address the various vulnerabilities that have come to light.
- The pandemic drove a need to reduce and/or eliminate most in-person meetings and replace them with virtual meetings. IT staff escalated their efforts to implement the first phase of Microsoft Teams to accommodate virtual meetings throughout the organization.
- Because of the pandemic and the Governor's Stay-at-Home order, public meetings needed to be held without in-person attendance by the public. The City adopted a virtual meeting format that allows the public and Council / Committee members to attend meetings via Zoom and participate in public comments.
- The City began livestreaming Council meetings on the City YouTube Channel and providing archived meeting videos on this channel that can be viewed with YouTube's Closed Captioning.
- The City's Internet connection was upgraded from 100 Mbps to 250 Mbps while reducing the cost by over \$12,000 annually.
- IT Staff upgraded the City's site-to-site communications systems increasing bandwidth between City Facilities and reducing costs by \$770,000 over seven years.
- To support public engagement, the City Manager's Office implemented a virtual meeting program with closed captioning to support the City Council and Standing Committee meetings.
- MPD increased online and telephone report taking as a way to reduce in-person contact during the pandemic.
- As a way to continue interacting with our community, MPD completed two virtual ride-a-longs despite the pandemic.



**TODAY AT 6 PM PDT**

**On Scene With MPD - Virtual  
Ride Along**

- All police officers have transitioned to new Body Worn Cameras and Tasers.
- All MPD patrol officers have started virtual reality training to include empathy and de-escalation training.
- The police department piloted an innovative Air Support Unit utilizing a Gyroplane platform.



- Established a new MPD Recruitment Team to help with community engagement and recruitment efforts in our area.



- MPD hosted six law enforcement training courses that brought in attendees from throughout the state, with five more scheduled to occur before the end of this year.
- The MPD training unit has moved to a new training day format to incorporate more reality-based training for officers.
- In partnership with Stanislaus County, the Neighborhood Center at Marshall Park was used for a COVID-19 Testing Site. The Site was open for testing for approximately 200 days, from June 8, 2020 to February 28, 2021 with over 18,000 people tested. The Site was then utilized for a COVID-19 vaccine distribution site.

- The Parks, Recreation and Neighborhoods Department staffed and operated the COVID-19 Vaccine Site at Modesto Center Plaza. Distribution ran January 16, 2021 through May 27, 2021 via partnership with the County, MPD and MFD. The Recreation Division put in over 5,000 hours by 56 staff members to run the part time staff and coordinate logistics.



- The Forestry Division responded to 2,610 forestry service requests.
- The Traffic Division converted to the Lucity online work order program giving the ability to log and track field tasks electronically.
- Planning staff initiated a comprehensive update to the City's General Plan, the first comprehensive update since 1995.
- Initiated work on a comprehensive housing plan, which will provide a strategy to address Modesto's on-going housing shortage.
- Approved an omnibus update to the City's zoning regulations.

### **Awards / Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Modesto for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the 38<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Annual Comprehensive Financial Report (ACFR) is the result of the cooperative work of many people. We wish to convey our appreciation to all of the City departments and members of the Finance Department team who prepared and contributed to its successful completion. Without their hard work, this report would not be possible.

The City submitted and received for the first time the distinguished Budget Presentation Award from GFOA for fiscal year ended June 30, 2020. To receive this prestigious award a government must demonstrate they meet the program criteria and excel as a policy document, financial plan, operations guide, and communication tool.

In addition, the City submitted and received an award from the GFOA for its fifth year for the Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2020. A PAFR presents financial information in a manner that appeals to the reader, is understandable and shows creativity and usefulness. The PAFR award is valid for one year and the City intends to submit its 2021 PAFR to the GFOA for consideration.

Finally, we would like to express our appreciation to the City Council, City employees, and community for their leadership and support. We look forward to the next year's challenges and opportunities.

Respectfully submitted,



Joseph P. Lopez

City Manager



DeAnna Christensen

Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Modesto  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

# CITY OF MODESTO ORGANIZATIONAL CHART



## Legend

- Elected
- Council Appointed
- City Manager Appointed

**CITIZENS OF MODESTO**

**CITY COUNCIL**

Sue Zwahlen, Mayor

Rosa Ecutia-Braaton, District 1    Bill Zoslocki, District 4  
 Tony Madrigal, District 2    Jenny Kenoyer, District 5  
 Chris Ricci, District 3    David Wright, District 6

**CITY ATTORNEY**  
Jose M. Sanchez

**CITY AUDITOR**  
Vacant

**CITY CLERK**  
Stephanie Lopez

**MODESTO  
CITY MANAGER**

Joseph P. Lopez

**DEPUTY CITY MANAGER  
OPERATIONS**  
SCOTTY DOUGLASS

**PUBLIC WORKS**  
BILL SANDHU

**UTILITIES**  
WILLIAM WONG

**PARKS, RECREATION  
& NEIGHBORHOODS**  
LAURIE SMITH

**COMMUNITY & ECONOMIC  
DEVELOPMENT**  
JAYLEN FRENCH

**Economic Vitality**

Retain and attract residential, commercial, and industrial development to meet the community's needs today and for the next generation.

**POLICE DEPARTMENT**  
INTERIM CHIEF BRANDON GILLESPIE

**FIRE DEPARTMENT**  
CHIEF ALAN ERNST

**PUBLIC RELATIONS**  
VACANT

**Quality of Life**

Engage partners across the community to ensure safety, resilience, and attractiveness of Modesto.

**DEPUTY CITY MANAGER  
SUPPORT**  
CALUHA BARNES

**BUDGET**  
STEPHAN CHRISTENSEN

**FINANCE**  
DEANNA CHRISTENSEN

**HUMAN RESOURCES**  
CHRISTINA ALGER

**INFORMATION TECHNOLOGY**  
CHARLIE HAASE

**INNOVATION & PERFORMANCE  
MANAGEMENT**

**Governance and Service  
Delivery**

Build community trust in City government through responsive, transparent and efficient service delivery.

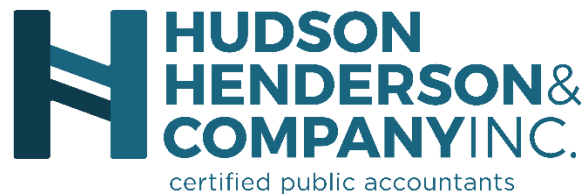
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FINANCIAL SECTION TAB



# **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Modesto, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Modesto, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of plan contributions, schedule of changes in the OPEB liability and related ratios, schedule of contributions, and budgetary comparison schedules for the General Fund and Operating Grants Special Revenue Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section and the continuing disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section and continuing disclosure section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
December 10, 2021

# Management's Discussion and Analysis

This section of the City of Modesto (the City) annual comprehensive financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements following this section.

## FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded liabilities plus deferred inflows of resources at the close of the 2021 fiscal year by \$1,217,466,272 (*total net position*). Of this amount, \$200,361,545 is restricted for a specific purpose (*restricted net position*), \$1,055,956,493 is invested in capital assets, net of related debt and (\$38,851,766) is unrestricted (*unrestricted net position*).
- The City's total deferred outflows of resources decreased by \$17,977,448 as compared to the prior year.
- The City's total deferred inflows of resources decreased by \$7,390,391 as compared to the prior year.
- The City's total liabilities increased by \$13,440,833 as compared to the prior year.
- The City's total net position increased by \$111,739,752 compared to the prior year. This increase is attributed mainly to an increase in capital and operating contributions in the amount of \$62,758,983 as compared to prior year, an increase in intergovernmental revenues in the amount of \$21,362,749 as compared to prior year, and a decrease in public safety expenses in the amount of \$10,923,269 as compared to prior year.
- As of June 30, 2021, the City's governmental funds reported combined fund balances of \$172,516,643 an increase of \$22,739,705 in comparison with the prior year.
- As of June 30, 2021, 20.70% of the General fund balance, \$6,395,913, is available to meet the City's current and future needs (*General Fund unassigned fund balance*).
- At the end of the fiscal year, the General Fund balance was \$30,899,092 or 22.2% of total General Fund expenditures. Of this, \$3,367,488 is the restricted fund balances. The unassigned fund balance of \$6,395,913 represents 4.4% of total General Fund outflows. The City Council has adopted a goal of maintaining an 8% unassigned fund balance amount based on General Fund outflows.
- The City's total long-term liabilities showed a net decrease of \$14,079,187 in comparison with the prior year. This decrease was attributed to reduction in debt from the principal payments made during the fiscal year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of the City finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City assets and liabilities, deferred outflows of resources and deferred inflow of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The

## Management's Discussion and Analysis (continued)

governmental activities of the City include general government, community development, highways and streets, public works, parks and recreation, and public safety. The business-type activities of the City include the Water, Sewer, Parking, Storm Drain, Compost, Airport, Bus, Golf, Community Center and Abatement and Public Nuisance operations.

Component units are included in our basic financial statements and consist of legally separate entities for which the City is financially accountable and that have substantially the same board as the City Council, or provide services entirely to the City or the City has operational responsibility for the entities. Examples are the Community Facilities Districts, Redevelopment Successor Agency of the City of Modesto and the Modesto Public Financing Authority.

**The government-wide financial statements can be found on pages 17-19 of this report.**

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City reports 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Grants Fund, and Operating Grants Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

**The governmental funds financial statements can be found on pages 20-23 of this report.**

**Proprietary funds** are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Parking, Storm Drain, Compost, Airport, Bus, Golf, Community Center and Abatement and Public Nuisance operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Fleet Management, Central Services, Information and Technology Services, Insurance, Employee Benefits Management and Building Services functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements with the exception of portions of the compensated absences that have been included within business-type activities. The rest of internal services benefiting business-type functions have been allocated as "internal balances".

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Water, Sewer and Bus funds are considered to be major funds of the City. The City's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

**The proprietary funds financial statements can be found on pages 24-27 of this report.**

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those

## Management's Discussion and Analysis (continued)

funds are not available to support the City's own programs. Custodial funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations. The accounting used for fiduciary and custodial funds is much like that used for proprietary funds.

**The fiduciary fund financial statements can be found on page 28-29 of this report.**

**Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on **pages 30-74** of this report.

**Required Supplementary Information** is also presented. The City adopts an annual appropriated budget. Budgetary comparison schedules for the major governmental funds have been provided to demonstrate compliance with this budget. This section also includes the schedules for net pension liability and OPEB.

**Required supplementary information can be found on pages 77-86 of this report.**

The *combining and individual fund statements and schedules* referred to earlier provide information for nonmajor governmental, enterprise and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on **pages 92-127** of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$1,217,466,272 at the close of the most recent fiscal year.

#### Net Position

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$349,006,744	\$272,631,002	\$320,714,732	\$284,412,811	\$669,721,476	\$557,043,813
Capital assets	441,036,275	410,590,070	933,364,414	940,720,640	1,374,400,689	1,351,310,710
Total assets	790,043,019	683,221,072	1,254,079,146	1,225,133,451	2,044,122,165	1,908,354,523
Deferred outflows of resources	54,764,137	63,609,490	45,736,270	54,868,365	100,500,407	118,477,855
Current and other liabilities	378,238,239	344,543,513	151,617,856	157,792,562	529,856,095	\$502,336,075
Long-term liabilities	90,831,883	90,284,799	303,734,687	318,360,958	394,566,570	408,645,757
Total liabilities	469,070,122	434,828,312	455,352,543	476,153,520	924,422,665	910,981,832
Deferred inflows of resources	2,147,163	8,337,099	586,472	1,786,927	2,733,635	10,124,026
Net position:						
Net investment in capital assets	407,347,307	374,618,780	648,609,186	647,695,354	1,055,956,493	1,022,314,134
Restricted net position	183,357,207	135,818,614	17,004,338	15,857,655	200,361,545	151,676,269
Unrestricted net position	(217,114,643)	(206,772,243)	178,262,877	138,508,360	(38,851,766)	(68,263,883)
Total net position	\$373,589,871	\$303,665,151	\$843,876,401	\$802,061,369	\$1,217,466,272	\$1,105,726,520

The largest portion of the City's net position, \$1,055,956,493 or 86.7%, reflects its investment in capital assets (e.g. land, water rights, buildings, improvements, furnishings and equipment, buses and fare boxes, pipelines, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of debt and related deferred outflows and inflows, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the City's net position represents *unrestricted net position* of (\$38,851,766) or (3.2%).

The remaining balance of the City's net position of \$200,361,545 or 16.5% represents resources that are subject to external restrictions on how they may be used.

## Management's Discussion and Analysis (continued)

The City's net position increased by \$111,739,752 during the current fiscal year was largely due to the increases in capital and operating contributions in the amount of \$62,758,983 increases to intergovernmental revenues in the amount of \$21,362,749 and a decrease in public safety expenses in the amount of \$10,923,269.

The following table indicates the changes in net position for governmental and business-type activities, as well as comparative data for the prior year:

	Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$34,364,395	\$41,844,580	\$174,719,431	\$163,915,962	\$209,083,826	\$205,760,542
Operating grants and contributions	12,010,918	16,838,122	29,310,591	21,780,920	41,321,509	38,619,042
Capital grants and contributions	57,825,011	5,894,717	8,672,597	546,375	66,497,608	6,441,092
General revenues:						
Taxes	69,342,539	64,300,986	266,272	190,995	69,608,811	64,491,981
Intergovernment revenue not restricted for specific purposes	121,422,499	100,059,750	-	-	121,422,499	100,059,750
Unrestricted investment earnings	(287,088)	6,044,156	(192,489)	8,082,331	(479,577)	14,126,487
Miscellaneous	2,184,677	3,660,429	1,686,667	1,390,820	3,871,344	5,051,249
Total revenues	<u>296,862,951</u>	<u>238,642,740</u>	<u>214,463,069</u>	<u>195,907,403</u>	<u>511,326,020</u>	<u>434,550,143</u>
Expenses:						
General government	14,727,031	14,808,371	-	-	14,727,031	14,808,371
Community development	30,782,573	25,698,343	-	-	30,782,573	25,698,343
Highways and streets	25,863,042	25,858,611	-	-	25,863,042	25,858,611
Public works	3,126,390	3,736,696	-	-	3,126,390	3,736,696
Parks and recreation	13,750,865	14,725,590	-	-	13,750,865	14,725,590
Public safety	129,785,835	140,709,104	-	-	129,785,835	140,709,104
Interest on long-term debt	2,039,849	2,302,626	-	-	2,039,849	2,302,626
Water	-	-	68,792,875	69,187,391	68,792,875	69,187,391
Sewer	-	-	46,500,454	45,832,671	46,500,454	45,832,671
Bus	-	-	28,889,011	25,261,736	28,889,011	25,261,736
Parking	-	-	1,700,607	1,905,382	1,700,607	1,905,382
Storm drain	-	-	5,585,980	7,384,884	5,585,980	7,384,884
Compost	-	-	12,022,746	10,330,237	12,022,746	10,330,237
Airport	-	-	1,865,063	1,841,645	1,865,063	1,841,645
Golf	-	-	2,865,795	2,939,639	2,865,795	2,939,639
Community center	-	-	1,961,576	1,603,302	1,961,576	1,603,302
Abatement and Pubic Nuisance	-	-	82,166	142,124	82,166	142,124
Total expenses	<u>220,075,585</u>	<u>227,839,341</u>	<u>170,266,273</u>	<u>166,429,011</u>	<u>390,341,858</u>	<u>394,268,352</u>
Change in net position before transfers	76,787,366	10,803,399	44,196,796	29,478,392	120,984,162	40,281,791
Transfers	824,609	479,917	(824,609)	(479,917)	-	-
Total transfers	<u>824,609</u>	<u>479,917</u>	<u>(824,609)</u>	<u>(479,917)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>77,611,975</u>	<u>11,283,316</u>	<u>43,372,187</u>	<u>28,998,475</u>	<u>120,984,162</u>	<u>40,281,791</u>
Net position - beginning	303,665,151	338,056,027	802,061,369	771,387,599	1,105,726,520	1,109,443,626
Prior year adjustments	(7,687,255)	(45,674,192)	(1,557,155)	1,675,295	(9,244,410)	(43,998,897)
Net position - ending	<u>\$373,589,871</u>	<u>\$303,665,151</u>	<u>\$843,876,401</u>	<u>\$802,061,369</u>	<u>\$1,217,466,272</u>	<u>\$1,105,726,520</u>

**Governmental activities.** Governmental activities increased the City's net position by \$69,924,720. The long-term liabilities decrease was attributed to the principal payments of about \$2.9 million and \$20 million in claim additions made during the fiscal year. Operating and capital grants contributions increased by \$47.1 million due to on-going efforts on grant funding opportunities.

Intergovernmental revenue increased by \$21.4 million due to establishing the new revenue source beginning in Fiscal Year 2017-18 from the Stanislaus County county-wide, 25 year, half-cent sales tax increase known as Measure L. Measure L will be utilized to fund local transportation improvements.

Expenses in total decreased compared to the prior year by \$7,763,756 this decrease is mainly attributed to a decrease in salary and benefit costs due to vacancy savings and position elimination within public safety.

**Business-type activities.** Business-type activities increased the City's net position by \$41,815,032. This increase is attributed to a healthy net position in our Water and Sewer Fund which generated an increase in net position by \$37.6 million and increase in our business-type capital assets. The Sewer fund has been able to manage their operational revenues due to a rate increases, on January 1, 2021 of 4% to ensure they meet the debt ratio required by Council.

# Management’s Discussion and Analysis (continued)

## FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As noted earlier, the City uses **fund accounting** to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The general government functions are contained in the general, special revenue, capital projects, and debt service funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2021, the City’s governmental funds reported combined fund balances of \$172,516,643 an increase of \$22,739,705 from the prior year. The total unassigned fund balance for the governmental funds was \$2,020,053 which includes a positive \$6,395,913 which represents the General Fund unassigned fund balance that is available to meet the City’s current and future needs. The remainder of fund balance is *nonspendable, restricted, committed and assigned* to indicate that it is *not* available for new spending because certain constraints have been placed on the use of the balances. The unassigned fund balance for the General Fund increased by \$3,988,338.

The General Fund is the chief operating fund of the City. At June 30, 2021, unassigned fund balance of the General Fund was \$6,395,913 while total fund balance was \$30,899,092. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.6% of total General Fund expenditures, while total fund balance represents 22.23% of that same amount. The prior year ratios were 1.8% and 18.96%, respectively.

The Capital Grants fund accounts for receipts and disbursements of a variety of Governmental Fund capital grants. At June 30, 2021, total fund balance was (\$1,862,352) which was an increase of \$4,419,331 from prior year. During fiscal year 2020-21, construction for the State Route 132 project has been on-going. This is a large scale construction project which is funded by grants from various local and State agencies.

The Operating Grants fund accounts for receipts and disbursements of a variety of Governmental Fund Operating grants. At June 30, 2021, total fund balance was \$2,103,520 this is an increase of \$519,344 from prior year.

Revenues of governmental funds totaled \$260,162,501 in fiscal year 2020-21, which represents an increase of \$24,207,526 from fiscal year 2019-20.

Expenditures of governmental funds totaled \$231,900,118 in fiscal year 2020-21, representing an increase of \$14,901,486 from fiscal year 2019-20.

The following table presents governmental fund revenues from various sources, with comparisons to the prior year:

Revenues Classified by Source – Governmental Funds

Revenues by Source	FY 2021		FY 2020		% Change
	Amount	Percent	Amount	Percent	
Taxes	\$69,342,539	26.7%	\$64,300,986	27.3%	7.8%
Licenses and permits	\$473,693	0.2%	408,645	0.2%	15.9%
Intergovernmental	154,356,852	59.3%	125,072,949	53.0%	23.4%
Charges for services	28,378,842	10.9%	36,147,116	15.3%	-21.5%
Special assessments	4,851,750	1.9%	4,622,697	2.0%	5.0%
Interest and rent	1,320,686	0.5%	2,018,446	0.9%	-34.6%
Net increase (decrease) in fair value	(985,713)	-0.4%	1,728,158	0.7%	-157.0%
Fines and forfeits	660,110	0.3%	666,120	0.3%	-0.9%
Donations and contributions	370,958	0.1%	-	-	100.0%
Miscellaneous	1,392,784	0.5%	989,858	0.3%	40.7%
<b>Total</b>	<b>\$260,162,501</b>	<b>100.0%</b>	<b>\$235,954,975</b>	<b>100.0%</b>	<b>10.3%</b>

- Taxes – Revenues for property and business license taxes came in higher than the prior year due to an ongoing positive upturn in the economy and the increased collection and compliance efforts by the City staff.
- Licenses and Permits – Revenues increased by \$65,048 due to Cannabis annual permit fees.

## Management's Discussion and Analysis (continued)

- Intergovernmental – Revenues increased by \$29.3 million due to an increase in Federal and State grants awarded to the City for the mitigation efforts against the novel coronavirus (COVID-19). As well as an increase in the revenue source for the Stanislaus County county-wide, 25 year, half-cent sales tax increase known as Measure L to assist with the funding for local transportation improvements for the City.
- Charges for Services – Revenues decreased by \$7.8 million due primarily to the closures of parks and recreation activities due to the on-going effects of COVID-19 and the County and State COVID-19 safety guidelines.
- Interest and Net decrease in fair value – The decrease in interest earned along with the decrease in fair market value of the city's investment portfolio is down to current market conditions. With Federal Treasuries hitting historic lows, the City's investment returns have been lower and the yields of investments purchased with reinvested funds has reduced the fair market value of the City's portfolio.

The following table presents expenditures by function compared to prior year amounts.

### Expenditures by Function – Governmental Funds

Exp by Function	FY 2021		FY 2020		% Change
	Amount	Percent	Amount	Percent	
General government	\$12,483,217	5.4%	\$12,028,015	5.5%	3.8%
Community development	26,215,559	11.3%	20,945,194	9.7%	25.2%
Highways and streets	12,152,803	5.2%	11,039,619	5.1%	10.1%
Public works	2,635,907	1.1%	3,035,851	1.4%	-13.2%
Parks and recreation	11,634,840	5.0%	11,944,940	5.5%	-2.6%
Public safety	110,275,920	47.6%	114,540,829	52.8%	-3.7%
Capital outlay	51,533,054	22.2%	38,425,318	17.7%	34.1%
Debt Service-principal retirement	2,931,077	1.3%	2,734,132	1.3%	7.2%
Debt Service-interest charges	1,985,927	0.9%	1,996,806	0.9%	-0.5%
Debt Service-other	51,814	0.0%	307,928	0.1%	-83.2%
<b>Total</b>	<b>\$231,900,118</b>	<b>100.0%</b>	<b>\$216,998,632</b>	<b>100.0%</b>	<b>6.9%</b>

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Community Development – Expenditures increased by \$5.3 million or 25.2% over the prior year, due to the increased costs related to the maintenance and improvements of streets, including \$2,978,229 on Coffee Road pavement rehabilitation phase 1 (Sylvan Avenue to Norweigan Avenue), \$1,393,776 on Tully Road pavement rehabilitation (Yale Avenue to Briggsmore Avenue), \$242,542 on traffic flow and safety improvements around Orville Wright Elementary School, and \$140,824 on Pelandale Neighborhood pavement maintenance projects.
- Highways and Streets – Expenditures increased by \$1,113,184 or 10.1% over the prior year, due mainly to the ongoing construction of State Route 132.
- Parks and Recreations – Expenditures decreased by \$310,100 or 2.6% over the prior year due to the closure of parks and facilities, in efforts of mitigation of the novel coronavirus, COVID-19.
- Public safety – Expenditures decreased by \$4.3 million or 3.7% over the prior year mainly due to a decrease in services that are provided based on grant fund availability that fluctuates year to year depending on grants awarded.

Other financing sources and uses are presented below to illustrate changes from the prior year:

	FY 2021	FY 2020	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$14,249,431	\$15,292,128	(\$1,042,697)	-6.8%
Transfers out	(15,500,194)	(17,397,619)	1,897,425	-10.9%
Capital leases	-	39,204	(39,204)	-100.0%
Sale of assets	1,934	132,485	(130,551)	-98.5%
<b>Net financing (uses)</b>	<b>(\$1,248,829)</b>	<b>(\$1,933,802)</b>	<b>\$684,973</b>	<b>-35.4%</b>

## Management's Discussion and Analysis (continued)

Transfers - The City uses interfund transfers to: (1) move resources from a fund to other funds that will utilize them in accordance with statutory and budgetary requirements, (2) utilize unrestricted resources collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to pay debt service to the funds that are responsible for payment as those payments become due.

- The net financing (uses) from governmental funds for 2021 were (\$1,248,829) compared to (\$1,933,802) in the prior year. This net transfer is to various City funds including transferring funds from the General Fund, Housing and Community Development fund, Local Transportation fund, Transportation Special Tax fund, Special Fund for Capital Outlays, Parks funds, Community Facilities Districts fund, Capital Facility Fee funds, Fleet Fund, Information Technology Services fund, and Building Services fund, to cover the debt service payments, fleet replacement, funding for capital projects and various transfers to cover City grant matches.

The fund balance of the City's General Fund increased by \$5,143,143 during the fiscal year. This result is consistent with the City Council's budgetary direction to reduce spending and identify additional revenue sources that would allow the General Fund to retain an unrestricted reserve that meets the City Council's adopted 8% unassigned fund balance amount based on General Fund outflows.

**Proprietary funds.** The City's proprietary fund disclosures provide the same type of information found in the government-wide financial statements, but in more detail.

The following table shows actual revenues, expenses and results of operations of enterprise funds for the current fiscal year:

	Major Funds			Nonmajor Funds	
	Water	Sewer	Bus	Other	Total
Operating revenues	87,713,122	62,381,752	1,624,167	\$21,767,465	\$173,486,506
Operating expenses	(64,499,543)	(43,650,022)	(29,320,316)	(26,704,051)	(164,173,932)
Operating income (loss)	23,213,579	18,731,730	(27,696,149)	(4,936,586)	9,312,574
Nonoperating revenues (expenses), net	(4,393,961)	(1,890,362)	25,635,847	2,407,824	21,759,348
Income (loss) before capital contributions and transfers	18,819,618	16,841,368	(2,060,302)	(2,528,762)	31,071,922
Contributions and transfers	(1,369,000)	3,336,340	3,301,048	2,579,599	7,847,987
Changes in net position	\$17,450,618	\$20,177,708	\$1,240,746	\$50,837	\$38,919,909

The Sewer fund had a rate increase of 4.0% in January 2021. Based on this rate increase the Sewer fund had an increase in its operating revenue which increased its net position.

A pollution remediation liability was reported for the Water and Sewer fund in the amounts of \$6,063,821 and \$6,958,932, respectively based on net recoveries the City has received from various settlements. Additional information regarding these liabilities can be found under Note II-N.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as Required Supplementary Information, beginning on **page 82-83** of this report.

While the City Council amended the budget several times through the year, the differences between the original budget and the final amended budget for the General Fund were increased overall mainly due to an increase in charges for services. The estimated revenues increased about \$1,427,063 while total appropriations decreased by \$352,975. These amendments were to adjust the actual beginning balances and carryovers after closing the prior fiscal year, and to reflect adjustments to current estimates based on the periodic monitoring of revenue and expenditures throughout the year.

Revenues came in \$7,739,310 more than final estimates. Variances in Franchise tax \$123,127, Cannabis tax \$1,806,954, Transient Occupancy Tax \$718,084, Property tax \$417,191, Sales tax \$4,985,311, Intergovernmental \$6,210,272, Charges for services (\$1,574,064) and Interest and Rent Revenue (\$434,377) were due to a decrease in collection efforts, a quicker recovery from the pandemic than was anticipated and stronger property values.

## Management's Discussion and Analysis (continued)

Expenditures, overall, were \$3,736,720 under budget, primarily due to efforts of departments to realize savings, and certain purchases being deferred to future periods.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$1,374,400,689 (net of accumulated depreciation). The total increase in the City's investment in capital assets compared to 2020 was 2.0%.

Capital assets net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year.

	Governmental		Business-type		Total		(decrease)	
	2021	2020	2021	2020	2021	2020	Percent Change	\$ Change
Land	\$29,149,707	\$29,149,707	\$34,512,819	\$34,511,762	\$63,662,526	\$63,661,469		\$1,057
Capitalized interest	-	-	4,979,452	5,484,238	4,979,452	5,484,238	-9%	(504,786)
Buildings	9,550,072	10,423,191	28,509,168	30,489,627	38,059,240	40,912,818	-7%	(2,853,578)
Improvements	53,703,767	56,628,936	232,549,815	224,168,794	286,253,582	280,797,730	2%	5,455,852
Furnishings and equipment	2,607,785	3,053,851	4,754,283	5,122,784	7,362,068	8,176,635	-10%	(814,567)
Intangible assets	1,996,365	2,391,530	6,122	15,002	2,002,487	2,406,532	-17%	(404,045)
Equipment pool	13,965,123	16,235,225	-	-	13,965,123	16,235,225	-14%	(2,270,102)
Service animals	7,282	13,369	-	-	7,282	13,369	-46%	(6,087)
Water rights	-	-	226,876,902	238,817,792	226,876,902	238,817,792	-5%	(11,940,890)
Streets	167,919,577	176,962,019	-	-	167,919,577	176,962,019	-5%	(9,042,442)
Signalization	6,463,638	6,959,175	-	-	6,463,638	6,959,175	-7%	(495,537)
Bridges	26,646,691	27,388,262	-	-	26,646,691	27,388,262	-3%	(741,571)
Buses & fareboxes	25,103	25,103	16,744,648	16,426,562	16,769,751	16,451,665	2%	318,086
Pipelines	411,418	416,989	153,869,665	150,195,902	154,281,083	150,612,891	2%	3,668,192
Construction in progress	128,589,747	80,942,713	230,561,540	235,488,177	359,151,287	316,430,890	14%	42,720,397
<b>Total</b>	<b>\$441,036,275</b>	<b>\$410,590,070</b>	<b>\$933,364,414</b>	<b>\$940,720,640</b>	<b>\$1,374,400,689</b>	<b>\$1,351,310,710</b>	<b>2%</b>	<b>\$23,089,979</b>

Major capital asset events during the current fiscal year included the following:

- Improvements – The Ceres Trunk Rehabilitation project was completed in fiscal year 2020-21 in the amount of \$7 million. The Crows Landing Sewer Trunk was completed in fiscal year 2020-21 in the amount of \$3.2 million. The Empire Trunk project was completed in fiscal year 2020-21 in the amount of \$5.1 million. The Grogan Park Production Well project was completed in fiscal year 2020-21 in the amount of \$2.3 million.
- Water rights – Depreciation expense for fiscal year 2020-21 in the amount of \$11.9 million.
- Streets – The West Bound D street construction project was completed in fiscal year 2020-21 in the amount of \$1.2 million. Depreciation expense for fiscal year 2020-21 in the amount of \$10.3 million.
- Pipelines – The Bermuda Way Water Main project was completed in fiscal year 2020-21 in the amount of \$1.9 million. The Spencer Avenue Main Replacement project was completed in fiscal year 2020-21 in the amount of \$1.5 million. The 2017-2018 Sewer Replacement project was completed in fiscal year 2020-21 in the amount of \$1.1 million.
- Construction in progress – Ongoing water construction projects related to improvements to the City's water infrastructure were made during fiscal year 2020-21, ongoing construction of the Jennings water quality control (WQC) entrance and Sonoma Trunk Extension, as well as the ongoing construction of the State Route 132 project. Additionally, construction of the Banks-Tully sewer water main was started in fiscal year 2020-21.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements. Depreciation expense is recorded using the straight-line method, based on estimated useful life of the asset. Additional information on the City's capital assets can be found in note II-B on pages 43-45 of this report.

The City had major capital commitments for contracts awarded for various construction projects. As of June 30, 2021, there were major ongoing contracts awarded for, State Route 132 Project, in the amount of \$96.4 million and the construction of a fleet maintenance facility in the amount of \$4 million. Additional information on the City's commitments can be found in note III-D on page 64 of this report.

## Management's Discussion and Analysis (continued)

### Long-term debt and liabilities

At June 30, 2021, the City had total long-term liabilities outstanding of \$394,566,570 net of unamortized discounts and premiums, as compared to \$408,645,756 in the prior year. This amount was comprised of \$46,745,000 of lease revenue bonds, \$44,557,540 of certificates of participation, \$122,384,268 of revenue bonds payable, \$105,641,454 of reimbursement agreement related to Modesto Irrigation District bonds, \$12,275,660 of estimated compensated absences, \$28,752,857 of claims liability, \$28,040,403 of loans payable, \$782,885 of developer advances, \$4,104,503 of capital leases, and \$1,282,000 of notes payable.

For the governmental and business activities, the long-term debt decreased was mainly due to the principal payments made during the fiscal year. Additional information on the City's long-term debt can be found in Note II-C on pages 45-56 of this report.

The City maintains a current bond rating for the various bonds listed below.

BONDS	Moody's Rating	S & P Rating	Fitch Rating
2008 Lease Revenue Bonds	Aa3	A/A-1	AA-
2008 Water Certificates of Participation	Aa3		
Wastewater Revenue Bonds, Series 2018A AA+/A-1+		AA	
Wastewater Revenue Bonds, Series 2020A		AA	
Wastewater Revenue Bonds, Series 2020B		AA	

With the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pension, the City's net OPEB liability as of June 30, 2021 was \$30.4 million. Additional information on the City's net OPEB liability and Pension can be found in Notes III-F and III-G.

### Economic Factors and Next Year's Budget and Rates

- Consumer Price Index* – Growth in the CPI has been relatively stable during the past ten years and serves as a measure for the growth in the cost for supplies and services used by the City. In the fiscal year ended June 30, 2021, the CPI-Western Urban Index increased by 5.1%.
- Utility Service Charges* – Water rates increased by 2% effective October 1, 2021, this rate was deferred from fiscal year 2020-21 as per Council's approval on April 6, 2021. The City is currently working on a rate study to determine future utility rate increases for Water and Sewer.

All of these factors were considered in preparing the City's budget for fiscal year 2020-21.

During the current fiscal year, fund balance in the General Fund increased by \$5,143,143, to \$30,899,092 which represents 21.2% of total General Fund outflows which exceeds the City's target value of 8% unassigned fund balance based on General fund outflows. The budget adopted for fiscal year 2020-21 reflects the Council policy reserve level of a minimum \$18.4 million emergency reserve policy. This amount is reported as part of the committed fund balance.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's financial condition. Questions concerning any of the information provided in this report and requests for additional financial information should be addressed to the City of Modesto, Attention: Finance Department, P.O. Box 642, Modesto, CA 95353.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF MODESTO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 113,367,313	\$ 249,075,412	\$ 362,442,725
Accounts receivable, net	1,923,095	3,560,145	5,483,240
Interest receivable	383,344	537,254	920,598
Utility billings receivable, net	1,487,719	18,568,277	20,055,996
Taxes receivable	15,803,523	-	15,803,523
Due from governments, net	45,359,941	14,708,856	60,068,797
Prepaid expenses	312,721	3,056,408	3,369,129
Internal balances	628,809	(628,809)	-
Inventories	1,346,332	37,829	1,384,161
Investments in joint ventures	7,793,117	-	7,793,117
Restricted assets:			
Cash and cash equivalents	78,206,000	17,004,338	95,210,338
Cash and cash equivalents with fiscal agent	9,214,294	14,795,022	24,009,316
Due from governments, net	26,978	-	26,978
Reimbursement agreement	13,556,050	-	13,556,050
Notes and loan receivable, net	59,597,508	-	59,597,508
Capital assets:			
Land and construction in progress	157,739,454	265,074,359	422,813,813
Other capital assets, net of accumulated depreciation	283,296,821	668,290,055	951,586,876
<b>Total assets</b>	<b>790,043,019</b>	<b>1,254,079,146</b>	<b>2,044,122,165</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	5,788,264	1,789,702	7,577,966
Deferred pensions	40,513,618	7,533,503	48,047,121
Loss on refunding	-	579,040	579,040
Accumulated decrease in fair value of hedging derivatives	8,462,255	35,834,025	44,296,280
<b>Total deferred outflows of resources</b>	<b>54,764,137</b>	<b>45,736,270</b>	<b>100,500,407</b>
<b>Total assets and deferred outflows of resources</b>	<b>844,807,156</b>	<b>1,299,815,416</b>	<b>2,144,622,572</b>
<u>LIABILITIES</u>			
Accounts payable	33,503,735	13,705,176	47,208,911
Accrued salaries and benefits	2,365,258	836,144	3,201,402
Approved loans payable	59,630	-	59,630
Interest payable	22,850	529,997	552,847
Unearned revenue	1,932,983	15,769,556	17,702,539
Refundable deposits	5,851,110	2,377,629	8,228,739
Derivative instrument - interest swap	8,462,255	35,834,025	44,296,280
Pollution remediation liability	-	13,927,705	13,927,705
Long-term liabilities:			
Due within one year	11,716,675	15,631,335	27,348,010
Due in more than one year	79,115,208	288,103,352	367,218,560
Net OPEB liability	22,968,920	7,458,480	30,427,400
Net pension liability	303,071,498	61,179,144	364,250,642
<b>Total liabilities</b>	<b>469,070,122</b>	<b>455,352,543</b>	<b>924,422,665</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	1,098,517	366,744	1,465,261
Deferred pensions	1,048,646	219,728	1,268,374
<b>Total deferred inflows of resources</b>	<b>2,147,163</b>	<b>586,472</b>	<b>2,733,635</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>471,217,285</b>	<b>455,939,015</b>	<b>927,156,300</b>
<u>NET POSITION</u>			
Net investment in capital assets	407,347,307	648,609,186	1,055,956,493
Restricted for:			
Capital projects	60,158,229	-	60,158,229
Housing and community development	61,116,118	-	61,116,118
Pollution remediation	-	14,626,709	14,626,709
Other purposes	62,082,860	2,377,629	64,460,489
Unrestricted	(217,114,643)	178,262,877	(38,851,766)
<b>Total net position</b>	<b>\$ 373,589,871</b>	<b>\$ 843,876,401</b>	<b>\$ 1,217,466,272</b>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
General government	\$ 14,727,031	\$ 6,237,530	\$ -	\$ -
Community development	30,782,573	16,611,118	8,462,908	-
Highways and streets	25,863,042	651,061	-	57,753,051
Public works	3,126,390	2,869,808	-	-
Parks and recreation	13,750,865	2,145,685	-	-
Public safety	129,785,835	5,849,193	3,548,010	71,960
Interest on long-term debt	2,039,849	-	-	-
Total governmental activities	<u>220,075,585</u>	<u>34,364,395</u>	<u>12,010,918</u>	<u>57,825,011</u>
Business-type activities:				
Water	68,792,875	87,713,122	1,714,850	520,103
Sewer	46,500,454	63,614,677	446,228	2,773,648
Bus	28,889,011	1,624,167	25,864,336	5,378,846
Parking	1,700,607	983,353	-	-
Storm drain	5,585,980	6,167,491	-	-
Compost	12,022,746	10,433,758	372,418	-
Airport	1,865,063	686,923	316,977	-
Golf	2,865,795	3,343,027	-	-
Community center	1,961,576	36,914	595,782	-
Abatement and public nuisance	82,166	115,999	-	-
Total business-type activities	<u>170,266,273</u>	<u>174,719,431</u>	<u>29,310,591</u>	<u>8,672,597</u>
<b>Total</b>	<u>\$ 390,341,858</u>	<u>\$ 209,083,826</u>	<u>\$ 41,321,509</u>	<u>\$ 66,497,608</u>

General revenues:

Taxes:

Utility users tax

Property taxes, levied for general purposes

Property taxes, generated by and allocated to the airport

Transient occupancy tax

Franchise tax

Cannabis tax

Business license tax, levied for general purposes

Business license tax, levied for downtown improvement district

Intergovernmental revenue:

Sales tax (state appropriation)

Motor vehicle license fee

Transportation tax funding

Community facilities district fees

Special assessments, levied

Other

Unrestricted investment earnings

Miscellaneous

Transfers, net

Total general revenues and transfers

Changes in net position

Net position, July 1

Prior year adjustments

Net position, June 30

The notes to basic financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (8,489,501)	\$ -	\$ (8,489,501)
(5,708,547)	-	(5,708,547)
32,541,070	-	32,541,070
(256,582)	-	(256,582)
(11,605,180)	-	(11,605,180)
(120,316,672)	-	(120,316,672)
(2,039,849)	-	(2,039,849)
<u>(115,875,261)</u>	<u>-</u>	<u>(115,875,261)</u>
-	21,155,200	21,155,200
-	20,334,099	20,334,099
-	3,978,338	3,978,338
-	(717,254)	(717,254)
-	581,511	581,511
-	(1,216,570)	(1,216,570)
-	(861,163)	(861,163)
-	477,232	477,232
-	(1,328,880)	(1,328,880)
-	33,833	33,833
<u>-</u>	<u>42,436,346</u>	<u>42,436,346</u>
<u>(115,875,261)</u>	<u>42,436,346</u>	<u>(73,438,915)</u>
20,764,694	-	20,764,694
19,106,595	-	19,106,595
-	266,272	266,272
2,850,229	-	2,850,229
7,117,014	-	7,117,014
5,379,402	-	5,379,402
13,899,554	-	13,899,554
225,051	-	225,051
35,670,236	-	35,670,236
18,855,971	-	18,855,971
22,501,876	-	22,501,876
14,628	-	14,628
4,851,750	-	4,851,750
39,528,038	-	39,528,038
(287,088)	(192,489)	(479,577)
2,184,677	1,686,667	3,871,344
824,609	(824,609)	-
<u>193,487,236</u>	<u>935,841</u>	<u>194,423,077</u>
77,611,975	43,372,187	120,984,162
303,665,151	802,061,369	1,105,726,520
(7,687,255)	(1,557,155)	(9,244,410)
<u>\$ 373,589,871</u>	<u>\$ 843,876,401</u>	<u>\$ 1,217,466,272</u>

**CITY OF MODESTO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General	Capital Grants	Operating Grants	Other Governmental	Total Governmental
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,212,475	\$ -	\$ 32,388,928	\$ 32,879,470	\$ 83,480,873
Receivables:					
Accounts, net	337,276	-	21,374	91,813	450,463
Interest	69,242	-	34,690	180,207	284,139
Utilities, net	1,487,719	-	-	-	1,487,719
Taxes	15,201,259	-	93,595	508,669	15,803,523
Due from governments	662,144	21,373,058	7,984,509	15,311,328	45,331,039
Prepaid expenditures	218,854	1,518	69,760	860	290,992
Restricted assets:					
Cash and cash equivalents	3,020,400	-	1,152,682	64,734,315	68,907,397
Cash and cash equivalents with fiscal agent	347,088	2,511,990	810,899	5,403,360	9,073,337
Due from governments	-	-	-	26,978	26,978
Notes receivable, net	-	-	70,179	59,527,329	59,597,508
Advances to other funds	2,169,998	-	-	471,416	2,641,414
<b>Total assets</b>	<b>\$ 41,726,455</b>	<b>\$ 23,886,566</b>	<b>\$ 42,626,616</b>	<b>\$ 179,135,745</b>	<b>\$ 287,375,382</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,677,891	\$ 25,725,139	\$ 510,395	\$ 2,601,168	\$ 30,514,593
Accrued salaries and benefits	1,944,491	-	80,603	149,501	2,174,595
Accrued interest payable	-	-	665	1,000	1,665
Approved loans payable	-	-	-	59,630	59,630
Unearned revenue	238,210	-	-	1,657,835	1,896,045
Refundable deposits	5,825,555	-	-	25,555	5,851,110
Advances from other funds	1,086,973	-	-	1,418,393	2,505,366
<b>Total liabilities</b>	<b>10,773,120</b>	<b>25,725,139</b>	<b>591,663</b>	<b>5,913,082</b>	<b>43,003,004</b>
Deferred inflows of resources:					
Unavailable revenue	54,243	23,779	39,931,433	31,846,280	71,855,735
Fund balances:					
Nonspendable	2,388,852	1,518	69,760	472,276	2,932,406
Restricted	3,367,488	2,511,990	2,033,760	106,595,778	114,509,016
Committed	18,397,817	-	-	-	18,397,817
Assigned	349,022	-	-	34,308,329	34,657,351
Unassigned	6,395,913	(4,375,860)	-	-	2,020,053
<b>Total fund balances</b>	<b>30,899,092</b>	<b>(1,862,352)</b>	<b>2,103,520</b>	<b>141,376,383</b>	<b>172,516,643</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 41,726,455</b>	<b>\$ 23,886,566</b>	<b>\$ 42,626,616</b>	<b>\$ 179,135,745</b>	<b>\$ 287,375,382</b>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

Total fund balances - governmental funds \$ 172,516,643

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

General capital assets:

Nondepreciable	\$ 151,472,150	
Depreciable	176,592,914	
Accumulated depreciation on general capital assets	(106,293,295)	
Infrastructure:		
Depreciable	578,567,213	
Accumulated depreciation on infrastructure	<u>(377,125,903)</u>	423,213,079

Other long-term assets are not available to pay for current-period expenditures and, therefore, are:

Deferred in the governmental funds	\$ 71,855,735	
Reimbursement agreement with Successor Agency	13,556,050	
Investments in joint ventures	<u>7,793,117</u>	93,204,902

Derivative instruments:

Rate swaps are not reported in governmental funds.	\$ (8,462,255)	
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivatives also are not reported in governmental funds.	<u>8,462,255</u>	-

Internal service funds are used by management to charge the costs of activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position.

5,240,733

Deferred outflows and inflows of resources for pension items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	\$ 38,775,976	
Deferred inflows of resources	<u>(997,965)</u>	37,778,011

Deferred outflows and inflows of resources for net OPEB items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	\$ 5,354,062	
Deferred inflows of resources	<u>(1,000,836)</u>	4,353,226

Some liabilities, are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability	\$ (288,960,213)	
Net OPEB liability	(21,112,173)	
Bonds payable, and other long-term debt	(52,625,878)	
Accrued interest	<u>(18,459)</u>	<u>(362,716,723)</u>

Net position - governmental activities \$ 373,589,871

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	General	Capital Grants	Operating Grants	Other Governmental	Total Governmental
<b>REVENUES:</b>					
Taxes	\$ 67,237,085	\$ -	\$ 365,151	\$ 1,740,303	\$ 69,342,539
Licenses and permits	418,648	-	44,799	10,246	473,693
Intergovernmental	64,475,277	52,782,754	5,680,942	31,417,879	154,356,852
Charges for services	15,003,537	-	4,197,090	9,178,215	28,378,842
Special assessments levied	314,521	-	64,342	4,472,887	4,851,750
Interest and rent	330,952	-	75,605	914,129	1,320,686
Net (decrease) in fair value of investments	(181,655)	-	(39,791)	(764,267)	(985,713)
Fines and forfeits	478,113	-	-	181,997	660,110
Donations and contributions	-	-	370,958	-	370,958
Miscellaneous	872,028	-	224,205	296,551	1,392,784
Total revenues	<u>148,948,506</u>	<u>52,782,754</u>	<u>10,983,301</u>	<u>47,447,940</u>	<u>260,162,501</u>
<b>EXPENDITURES:</b>					
Current:					
General government	12,259,387	-	223,830	-	12,483,217
Community development	5,947,091	1,238,286	6,189,457	12,840,725	26,215,559
Highways and streets	-	1,314,838	51,287	10,786,678	12,152,803
Public works	-	-	2,635,907	-	2,635,907
Parks and recreation	11,564,320	-	50,582	19,938	11,634,840
Public safety	108,518,680	-	1,348,437	408,803	110,275,920
Capital outlay	98,027	47,457,477	71,960	3,905,590	51,533,054
Debt service:					
Principal retirement	478,077	-	-	2,453,000	2,931,077
Interest	127,466	-	-	1,858,461	1,985,927
Other	-	-	-	51,814	51,814
Total expenditures	<u>138,993,048</u>	<u>50,010,601</u>	<u>10,571,460</u>	<u>32,325,009</u>	<u>231,900,118</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,955,458</u>	<u>2,772,153</u>	<u>411,841</u>	<u>15,122,931</u>	<u>28,262,383</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	1,649,785	1,647,188	215,946	10,736,512	14,249,431
Transfers out	(6,462,100)	(10)	(210,038)	(8,828,046)	(15,500,194)
Sale of assets	-	-	-	1,934	1,934
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,812,315)</u>	<u>1,647,178</u>	<u>5,908</u>	<u>1,910,400</u>	<u>(1,248,829)</u>
CHANGES IN FUND BALANCES	5,143,143	4,419,331	417,749	17,033,331	27,013,554
FUND BALANCES, JULY 1	25,755,949	(6,281,683)	1,584,176	128,718,496	149,776,938
PRIOR PERIOD ADJUSTMENTS	-	-	101,595	(4,375,444)	(4,273,849)
FUND BALANCES, JUNE 30	<u>\$ 30,899,092</u>	<u>\$ (1,862,352)</u>	<u>\$ 2,103,520</u>	<u>\$ 141,376,383</u>	<u>\$ 172,516,643</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2021**

Net change in fund balances - governmental funds	\$	27,013,554
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 51,533,054	
Depreciation expense	<u>(18,708,359)</u>	32,824,695
In the statement of activities, only the gain or loss on the sales and transfer of capital assets is reported, whereas in the governmental funds, the proceeds from such sales or transfer increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold.		
		(2,515,455)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unearned revenues	\$ 37,159,918	
Change in investments in joint ventures	<u>(551,033)</u>	36,608,885
Recognition of Successor Agency annual payment for their Reimbursement Agreement receivable associated with long-term debt.		
		(629,300)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal retirement		2,931,076
Some expenses reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	\$ (2,109)	
OPEB expense associated with net OPEB liability	5,352,049	
Pension expense associated with net pension liability	<u>(20,504,276)</u>	(15,154,336)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(3,467,144)</u>
Change in net position - governmental activities	\$	<u><u>77,611,975</u></u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 113,709,717	\$ 108,989,660	\$ 8,265,827	\$ 18,110,208	\$ 249,075,412	\$ 29,886,440
Receivables:						
Accounts, net	45,663	1,657,507	304,695	1,552,280	3,560,145	1,472,632
Interest	237,470	239,459	19,897	40,428	537,254	99,205
Utilities, net	10,560,000	7,000,862	-	1,007,415	18,568,277	-
Prepaid expenses	2,940,452	83,019	5,582	27,355	3,056,408	21,729
Due from governments	2,629,762	701,959	9,540,773	1,836,362	14,708,856	28,902
Inventories	35,435	-	-	2,394	37,829	1,346,332
Total current assets	<u>130,158,499</u>	<u>118,672,466</u>	<u>18,136,774</u>	<u>22,576,442</u>	<u>289,544,181</u>	<u>32,855,240</u>
Noncurrent assets:						
Advances to other funds	4,340,000	2,200,949	-	211,523	6,752,472	-
Restricted cash and cash equivalents	6,386,391	10,156,748	-	461,199	17,004,338	9,298,603
Restricted cash and cash equivalents with fiscal agent	13,671,253	465,720	-	658,049	14,795,022	140,957
Land and construction in progress	59,841,360	187,406,081	6,852,312	10,974,606	265,074,359	6,267,304
Other capital assets, net of accumulated depreciation	393,622,129	209,967,457	33,787,902	30,912,567	668,290,055	11,555,892
Total noncurrent assets	<u>477,861,133</u>	<u>410,196,955</u>	<u>40,640,214</u>	<u>43,217,944</u>	<u>971,916,246</u>	<u>27,262,756</u>
Total assets	<u>608,019,632</u>	<u>528,869,421</u>	<u>58,776,988</u>	<u>65,794,386</u>	<u>1,261,460,427</u>	<u>60,117,996</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred OPEB	754,696	550,546	108,362	376,098	1,789,702	434,202
Deferred pensions	2,688,972	2,897,915	475,530	1,471,086	7,533,503	1,737,642
Loss on refunding	356,880	222,160	-	-	579,040	-
Accumulated decrease in fair value of hedging derivatives	35,834,025	-	-	-	35,834,025	-
Total deferred outflows of resources	<u>39,634,573</u>	<u>3,670,621</u>	<u>583,892</u>	<u>1,847,184</u>	<u>45,736,270</u>	<u>2,171,844</u>
Total assets and deferred outflows of resources	<u>\$ 647,654,205</u>	<u>\$ 532,540,042</u>	<u>\$ 59,360,880</u>	<u>\$ 67,641,570</u>	<u>\$ 1,307,196,697</u>	<u>\$ 62,289,840</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 5,189,568	\$ 3,882,367	\$ 3,400,202	\$ 1,233,039	\$ 13,705,176	\$ 2,989,142
Accrued salaries and benefits	275,073	294,003	88,143	178,925	836,144	190,663
Interest payable	2,894	514,201	-	12,902	529,997	2,726
Current portion - compensated absences	-	-	-	-	-	990,803
Current portion - claims liability	-	-	-	-	-	7,775,304
Current portion - long-term debt	5,967,779	8,914,342	-	437,274	15,319,395	-
Current portion - developer advances	84,127	-	-	-	84,127	-
Unearned revenue	31,451	2,793,761	12,270,896	673,448	15,769,556	36,938
Total current liabilities	<u>11,550,892</u>	<u>16,398,674</u>	<u>15,759,241</u>	<u>2,535,588</u>	<u>46,244,395</u>	<u>11,985,576</u>
Noncurrent liabilities:						
Payable from restricted assets - refundable deposits	1,338,943	1,038,686	-	-	2,377,629	-
Advances from other funds	-	-	471,416	6,417,104	6,888,520	-
Compensated absences	-	-	-	-	-	11,284,857
Claims liability	-	-	-	-	-	20,977,553
Derivative instrument - interest swap	35,834,025	-	-	-	35,834,025	-
Pollution remediation liability	6,063,821	6,958,932	-	904,952	13,927,705	-
Long-term debt:						
Reimbursement agreement related to MID debt	100,126,454	-	-	-	100,126,454	-
Revenue bonds payable	-	114,350,154	-	-	114,350,154	-
Obligations under capital lease	-	-	-	3,351	3,351	-
Loans payable	319,307	26,313,089	-	-	26,632,396	-
Certificates of participation	42,757,540	-	-	940,000	43,697,540	-
Developer advances	698,758	-	-	-	698,758	-
Net OPEB liability	3,002,240	2,223,763	466,582	1,765,895	7,458,480	1,856,747
Net pension liability	21,836,988	23,533,800	3,861,752	11,946,604	61,179,144	14,111,285
Total noncurrent liabilities	<u>211,978,076</u>	<u>174,418,424</u>	<u>4,799,750</u>	<u>21,977,906</u>	<u>413,174,156</u>	<u>48,230,442</u>
Total liabilities	<u>223,528,968</u>	<u>190,817,098</u>	<u>20,558,991</u>	<u>24,513,494</u>	<u>459,418,551</u>	<u>60,216,018</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred OPEB	144,773	106,323	24,443	91,205	366,744	97,681
Deferred pensions	78,429	84,523	13,869	42,907	219,728	50,681
Total deferred inflows of resources	<u>223,202</u>	<u>190,846</u>	<u>38,312</u>	<u>134,112</u>	<u>586,472</u>	<u>148,362</u>
<b>NET POSITION</b>						
Net investment in capital assets	318,320,542	248,483,833	40,640,214	41,164,597	648,609,186	17,823,196
Restricted for pollution remediation	5,047,448	9,118,062	-	-	14,626,709	-
Restricted for other purposes	1,338,943	1,038,686	-	-	2,377,629	9,439,560
Unrestricted	99,195,102	82,891,517	(1,876,637)	1,829,367	181,578,150	(25,337,296)
Total net position	<u>423,902,035</u>	<u>341,532,098</u>	<u>38,763,577</u>	<u>42,993,964</u>	<u>847,191,674</u>	<u>1,925,460</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 647,654,205</u>	<u>\$ 532,540,042</u>	<u>\$ 59,360,880</u>	<u>\$ 67,641,570</u>	<u>\$ 1,307,196,697</u>	<u>\$ 62,289,840</u>
Adjustment to reflect the consolidation of internal service fund activities					(3,315,273)	
Net position of business-type activities					<u>\$ 843,876,401</u>	

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Enterprise				Total Enterprise	Internal Service
	Water	Sewer	Bus	Other Enterprise		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 86,743,885	\$ 61,868,018	\$ 1,118,636	\$ 20,896,716	\$ 170,627,255	\$ 78,231,069
Miscellaneous	969,237	513,734	505,531	870,749	2,859,251	189,772
Total operating revenues	<u>87,713,122</u>	<u>62,381,752</u>	<u>1,624,167</u>	<u>21,767,465</u>	<u>173,486,506</u>	<u>78,420,841</u>
<b>OPERATING EXPENSES:</b>						
Salaries and wages	9,113,226	9,216,782	1,665,914	5,254,054	25,249,976	8,474,362
Cost of sales	-	-	-	-	-	2,083,987
Contractual services	8,054,640	3,698,759	17,392,469	6,294,115	35,439,983	5,250,836
Utilities	2,462,054	3,449,639	197,821	611,915	6,721,429	351,972
Maintenance and supplies	5,646,890	3,992,029	3,389,110	4,860,417	17,888,446	5,760,932
Water purchases	10,653,809	-	-	-	10,653,809	-
Insurance	368,912	845,013	43,573	455,483	1,712,981	19,076,444
Claims	-	-	-	-	-	9,778,335
Employee benefits	5,809,735	7,848,110	787,615	3,472,646	17,918,106	30,290,561
Administration services	1,230,194	2,336,236	1,850,804	3,392,977	8,810,211	787,766
Allocated indirect administrative costs	1,426,669	858,290	375,632	562,122	3,222,713	355,266
Other	-	-	137,652	-	137,652	-
Depreciation	19,733,414	11,405,164	3,479,726	1,800,322	36,418,626	2,953,316
Total operating expenses	<u>64,499,543</u>	<u>43,650,022</u>	<u>29,320,316</u>	<u>26,704,051</u>	<u>164,173,932</u>	<u>85,163,777</u>
<b>OPERATING INCOME (LOSS)</b>	<u>23,213,579</u>	<u>18,731,730</u>	<u>(27,696,149)</u>	<u>(4,936,586)</u>	<u>9,312,574</u>	<u>(6,742,936)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Operating grants	1,714,850	446,228	25,864,336	1,285,177	29,310,591	-
Gain (loss) on disposition of capital assets	(9,673)	774	(258,569)	33,539	(233,929)	(160,552)
Tax revenue	-	-	-	266,272	266,272	-
Tax expense	(94,094)	(61,248)	-	(20,896)	(176,238)	-
Interest income	972,327	1,018,797	-	157,603	2,148,727	366,103
Net (decrease) in fair value of investments	(996,989)	(1,060,447)	(105,834)	(177,946)	(2,341,216)	(437,131)
Connection fees	-	1,232,925	-	-	1,232,925	-
Rental income	41,972	523,078	135,914	985,704	1,686,668	-
Settlements and recoveries	-	-	-	-	-	5,884,277
Interest expense and amortization	(6,020,604)	(3,985,068)	-	(115,674)	(10,121,346)	-
Trustee and letter of credit fees	(1,750)	(5,401)	-	(5,955)	(13,106)	-
Total nonoperating revenues (expenses)	<u>(4,393,961)</u>	<u>(1,890,362)</u>	<u>25,635,847</u>	<u>2,407,824</u>	<u>21,759,348</u>	<u>5,652,697</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>18,819,618</u>	<u>16,841,368</u>	<u>(2,060,302)</u>	<u>(2,528,762)</u>	<u>31,071,922</u>	<u>(1,090,239)</u>
Capital contributions	520,103	2,773,648	5,378,846	-	8,672,597	-
Transfers in	162,937	727,311	29,515	2,755,241	3,675,004	2,287,073
Transfers out	(2,052,040)	(164,619)	(2,107,313)	(175,642)	(4,499,614)	(211,700)
<b>CHANGES IN NET POSITION</b>	<u>17,450,618</u>	<u>20,177,708</u>	<u>1,240,746</u>	<u>50,837</u>	<u>38,919,909</u>	<u>985,134</u>
<b>NET POSITION, JULY 1</b>	<u>406,451,417</u>	<u>321,354,390</u>	<u>37,522,831</u>	<u>44,500,282</u>		<u>940,326</u>
<b>PRIOR YEAR ADJUSTMENTS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,557,155)</u>		<u>-</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 423,902,035</u>	<u>\$ 341,532,098</u>	<u>\$ 38,763,577</u>	<u>\$ 42,993,964</u>		<u>\$ 1,925,460</u>
Adjustment to reflect the consolidation of internal service funds					<u>4,452,278</u>	
Change in net position of business-type activities					<u>\$ 43,372,187</u>	

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users	\$ 83,992,175	\$ 60,012,604	\$ 1,426,891	\$ 21,629,647	\$ 167,061,317	\$ 160,285
Receipts from interfund services provided	278,331	27,060	-	-	305,391	76,602,835
Payments to suppliers	(24,760,072)	(9,812,388)	(22,936,570)	(13,890,048)	(71,399,078)	(33,214,287)
Payment of insurance claims	-	-	-	-	-	(7,194,601)
Payments to employees	(13,833,039)	(14,177,827)	(1,183,952)	(8,046,855)	(37,241,673)	(35,978,390)
Payments for interfund services used	(5,549,900)	(6,140,411)	-	(8,104,824)	(19,795,135)	(1,946,153)
Net cash provided (used) by operating activities	<u>40,127,495</u>	<u>29,909,038</u>	<u>(22,693,631)</u>	<u>(8,412,080)</u>	<u>38,930,822</u>	<u>(1,570,311)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating grants received	1,714,850	446,228	19,120,985	1,285,177	22,567,240	-
Taxes received	-	-	-	266,272	266,272	-
Settlements and recoveries	-	-	-	-	-	5,884,277
Transfers in	162,937	727,311	29,515	2,755,241	3,675,004	2,287,073
Transfers out	(2,052,040)	(164,619)	(2,107,313)	(175,642)	(4,499,614)	(211,700)
Advances from/to other funds	(1,140,000)	501,562	471,416	1,158,681	991,659	-
Net cash provided (used) by noncapital financing activities	<u>(1,314,253)</u>	<u>1,510,482</u>	<u>17,514,603</u>	<u>5,289,729</u>	<u>23,000,561</u>	<u>7,959,650</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(10,378,086)	(13,383,491)	(5,495,018)	(692,780)	(29,949,375)	(3,385,500)
Proceeds from sale of capital assets	74,369	774	6,175	33,540	114,858	26,678
Proceeds of debt issues	-	102,739,724	-	-	102,739,724	-
Repayment from refunding of long-term debt	-	(106,812,879)	-	-	(106,812,879)	-
Principal repayments	(6,299,501)	(3,484,063)	-	(412,202)	(10,195,766)	-
Interest paid	(6,020,825)	(3,985,068)	-	(147,151)	(10,153,044)	-
Trustee and letter of credit fees	(1,750)	(5,401)	-	(5,955)	(13,106)	-
Capital contributions	520,103	2,773,648	5,378,846	-	8,672,597	-
Connection fees for capital purposes	-	1,232,925	-	-	1,232,925	-
Net cash provided (used) by capital and related financing activities	<u>(22,105,690)</u>	<u>(20,923,831)</u>	<u>(109,997)</u>	<u>(1,224,548)</u>	<u>(44,364,066)</u>	<u>(3,358,822)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest received	1,053,358	510,257	19,310	219,100	1,802,025	462,282
Net (decrease) in the fair value of investments	(996,989)	(1,060,447)	(105,836)	(177,946)	(2,341,218)	(442,348)
Rental income received	41,972	523,078	135,914	985,704	1,686,668	-
Net cash provided (used) by investing activities	<u>98,341</u>	<u>(27,112)</u>	<u>49,388</u>	<u>1,026,858</u>	<u>1,147,475</u>	<u>19,934</u>
Net increase (decrease) in cash and cash equivalents	16,805,893	10,468,577	(5,239,637)	(3,320,041)	18,714,792	3,050,451
CASH AND CASH EQUIVALENTS, JULY 1	<u>116,961,468</u>	<u>109,143,551</u>	<u>13,505,464</u>	<u>22,549,497</u>	<u>262,159,980</u>	<u>36,275,549</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 133,767,361</u>	<u>\$ 119,612,128</u>	<u>\$ 8,265,827</u>	<u>\$ 19,229,456</u>	<u>\$ 280,874,772</u>	<u>\$ 39,326,000</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>						
Cash and cash equivalents	\$ 113,709,717	\$ 108,989,660	\$ 8,265,827	\$ 18,110,208	\$ 249,075,412	\$ 29,886,440
Restricted cash and cash equivalents	6,386,391	10,156,748	-	461,199	17,004,338	9,298,603
Restricted cash and cash equivalents with fiscal agent	13,671,253	465,720	-	658,049	14,795,022	140,957
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 133,767,361</u>	<u>\$ 119,612,128</u>	<u>\$ 8,265,827</u>	<u>\$ 19,229,456</u>	<u>\$ 280,874,772</u>	<u>\$ 39,326,000</u>

(continued)

**CITY OF MODESTO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 23,213,579	\$ 18,731,730	\$ (27,696,149)	\$ (4,936,586)	\$ 9,312,574	\$ (6,742,936)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	19,733,414	11,405,164	3,479,726	1,800,322	36,418,626	2,953,316
Taxes paid	(94,094)	(61,248)	-	(20,896)	(176,238)	-
Change in assets, liabilities, and deferred resources:						
(Increase) decrease in accounts receivable	(40,112)	(1,606,589)	(197,270)	86,637	(1,757,334)	(128,508)
(Increase) in utilities receivable	(1,460,296)	(1,466,251)	-	(125,843)	(3,052,390)	-
(Increase) in due from governments	(1,810,549)	(254,721)	-	(1,391,404)	(3,456,674)	(19,594)
(Increase) decrease in prepaid expenses	(560,198)	(22,322)	98,910	(9,786)	(493,396)	153,493
Decrease in inventories	-	94	-	49,130	49,224	187,086
Increase (decrease) in accounts payable	392,021	(539,448)	1,139,190	(3,278,628)	(2,286,865)	(1,823,237)
Increase (decrease) in accrued salaries and benefits	(703)	7,858	35,851	7,342	50,348	4,007
Increase in compensated absences	-	-	-	-	-	1,196,638
(Increase) in net OPEB liability and deferred resources	(53,467)	(38,657)	(62,816)	(1,591,099)	(1,746,039)	(31,659)
Decrease in net pension liability and deferred	1,144,092	2,917,864	508,927	706,144	5,277,027	1,617,547
Increase in claims liability	-	-	-	-	-	2,583,734
Increase (decrease) in pollution remediation liability	(1,737,569)	(149,907)	-	291,157	(1,596,319)	-
Increase (decrease) in due to other funds	1,533,036	-	-	-	1,533,036	(1,533,036)
Increase in unearned revenue	29,457	1,111,844	-	1,430	1,142,731	12,838
(Decrease) in refundable deposits	(161,116)	(126,373)	-	-	(287,489)	-
Total adjustments	<u>16,913,916</u>	<u>11,177,308</u>	<u>5,002,518</u>	<u>(3,475,494)</u>	<u>29,618,248</u>	<u>5,172,625</u>
Net cash provided (used) by operating activities	<u>\$ 40,127,495</u>	<u>\$ 29,909,038</u>	<u>(22,693,631)</u>	<u>\$ (8,412,080)</u>	<u>\$ 38,930,822</u>	<u>\$ (1,570,311)</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2021**

	Private Purpose Funds	Other Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,174,096	\$ 1,551,009
Cash and cash equivalents held with fiscal agent	1,977,080	2,933,813
Interest receivable	4,343	5,550
Taxes receivable	-	90,618
Assessments receivable	-	28,818,947
Due from governments	-	330,095
Land and construction in progress	-	2,944,919
Other capital assets, net of accumulated depreciation	-	4,580,836
Other assets	-	788
	<u>\$ 4,155,519</u>	<u>\$ 41,256,575</u>
<b>Deferred outflows of resources:</b>		
Loss on refunding	-	1,043,590
	<u>-</u>	<u>1,043,590</u>
<b>LIABILITIES</b>		
Accounts payables and other liabilities	41,890	77,915
Due to local governments	1,192,004	281,051
Interest payable	-	431,596
Long-term liabilities:		
Due within one year	2,148,100	981,659
Due in more than one year	16,412,950	28,839,337
	<u>19,794,944</u>	<u>30,611,558</u>
<b>Total liabilities</b>	<b>\$ 19,794,944</b>	<b>\$ 30,611,558</b>
<b>Deferred inflows of resources:</b>		
Unavailable revenues	-	812,680
	<u>-</u>	<u>812,680</u>
<b>NET POSITION</b>		
Net invested in capital assets	-	7,525,755
Restricted	-	2,933,813
Unrestricted	(15,639,425)	416,359
<b>Total net position (deficit)</b>	<b>\$ (15,639,425)</b>	<b>\$ 10,875,927</b>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Private Purpose Funds</u>	<u>Other Custodial Funds</u>
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Members investment pool	\$ -	\$ 385,526
Total contributions		
<b>Collections on behalf of other governments:</b>		
Special assessments	-	2,611,794
Property taxes	3,210,700	349,136
Grants	-	150,065
Other	-	76,504
Total collections on behalf of other governments	<u>3,210,700</u>	<u>3,187,499</u>
<b>Interest and investment earnings:</b>		
Interest earnings	14,367	19,501
Net (decrease) in fair value of investments	(13,168)	(18,880)
Total interest and investment earnings	<u>1,199</u>	<u>621</u>
 Total additions	 <u>3,211,899</u>	 <u>3,573,646</u>
<b>DEDUCTIONS:</b>		
Distribution of property taxes to other taxing entities	602,998	632,288
<b>Obligation retirements:</b>		
Principal retirement	-	830,000
Interest expense	260,451	1,304,795
Trustee fees	-	3,685
City administrative expenses	111,553	116,009
Other expenses	-	20,779
Depreciation expense	-	445,876
Operating expenses	-	336,100
Total deductions	<u>975,002</u>	<u>3,689,532</u>
 Net increase (decrease) in fiduciary net position	 2,236,897	 (115,886)
 Net position, July 1 - restated	 (17,876,322)	 10,991,813
Net position (deficit), June 30	<u>\$ (15,639,425)</u>	<u>\$ 10,875,927</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. THE FINANCIAL REPORTING ENTITY**

The City of Modesto (the City) was incorporated in 1884 and operates under a Council-Manager form of government as authorized by its charter adopted in 1951. The City Council consists of seven elected members. The following services are provided by the City to its citizens: public safety (fire and police), highways and streets, drinking water, wastewater collection and treatment, storm drainage, public transit, recreation, public improvements, community development, planning and zoning, and general administrative services.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraphs are included in the City's reporting entity because the City is financially accountable for their operations.

1. The MPFA (Modesto Public Financing Authority) was established as a separate legal entity whose sole purpose is to provide financing for various City capital projects.
2. The City of Modesto has established several Community Facilities (The Districts) to provide funding and reimbursement mechanisms for public facilities and services required by each District Specific Plan. These Districts are the vehicles used to ensure that all landowners in the Districts contribute to the cost of public improvements. There are currently twelve active Districts, which are combined for presentation in these financial statements. Individual component unit financial statements are prepared for each District.

The Redevelopment Successor Agency (Successor Agency) operates under the auspices of a legislatively formed Oversight Board comprised of representatives of the local agencies that serve the development project area. The Oversight Board, in its fiduciary capacity, has authority over the operations and the timely dissolution of the former Redevelopment Agency (RDA). It is tasked with fulfilling the obligations of the former RDA, and is also responsible for revenue collection, maintaining necessary loan reserves and disposing of excess property. This agency is reported as a private-purpose trust fund based on the generally accepted accounting standards requirement.

Although these component units are legally separate from the City, they are reported on a blended basis as part of the primary government because their boards consist of all seven members of the City Council and operational responsibility. There is an operational responsibility for the City related to these component units and for the MPFA it provides services solely for the City. Component unit financial statements may be obtained from the City's Finance Department.

The joint ventures and jointly governed organizations described in Note III-E are not considered part of the reporting entity because the City is not financially accountable for their operations.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For grant revenues, the City considers this type of revenue to be available if collected within 180 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest, compensated absences, claims and judgement expenditures are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

Substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees, and gas taxes), interest, special assessments levied, state and federal grants, and charges for current services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues from licenses, permits, and fines and forfeits are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Grants Fund to account for receipts and disbursements of a variety of Governmental Fund capital grants.

The Operating Grants Fund to account for a variety of governmental fund operating grants, including law enforcement grants.

The City reports the following major proprietary funds:

The Water Fund accounts for all revenues collected by the City for the purpose of financing the construction, operation, and maintenance of the City water distribution system. Revenues are derived from water service charges and various installation fees.

The Sewer Fund accounts for revenues collected by the City for the purpose of financing the construction, operation, and maintenance of the City sewer system. Revenues include, but are not limited to, sewer service charges and sewer lateral charges.

The Bus Fund accounts for operations, maintenance, and capital expenditures of the City's mass transportation service. This system operates pursuant to the terms of a Federal grant agreement. Buses are operated by a private contractor under the terms of a supervisory agreement with the City. A separate contract provides Dial-a-Ride service for the elderly and handicapped.

Additionally, the City reports the following fund types:

Private-purpose Trust Fund accounts as the fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. The fund reports the assets, liabilities, and net position of the Successor Agency.

Internal service funds account for fleet management, central services, information and technology services, insurance, employee benefits management, and building services provided to other departments or agencies of the City on a cost-reimbursement basis.

Custodial funds account for cash and investments held by the City as agent for various assessment districts, governmental entities and non-public organizations. Custodial funds cannot be major funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. The Sewer Fund also recognize as non-operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including the note disclosures. Actual results could differ from those estimates.

#### D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

##### 1. Cash and Cash Equivalents

Cash and investments (including restricted assets) held in the City's investment pool are reported as cash and cash equivalents on the statement of net position and balance sheet because funds can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents because they are highly liquid and have maturities of 3 months or less at the time of purchase. Investments are stated at fair value. Valuations are obtained based on various levels identified further under Note II-A – Fair value measurements.

##### 2. Restricted Assets - Cash and Cash Equivalents

Refundable deposits which reside in the Trust Deposits of the General Fund are classified as restricted assets – cash and cash equivalents on the governmental funds balance sheet because their use is restricted for repayment of those refundable deposits. Legal or contractual obligations associated with the nonmajor governmental funds have been reported as restricted assets due to the restrictions identified on the revenue sources generated from these funds. Refundable deposits in the Water and Sewer funds are also reported as restricted assets on the proprietary funds statement of net position. In addition, certain proceeds of Water certificates of participation and Sewer revenue bonds are considered restricted assets because their use is limited by applicable debt covenants. These proceeds are reported as part of "restricted assets – cash and cash equivalents" on the proprietary funds statement of net position. The Employee Benefits Management Fund collects funds which are restricted for future payouts for leave balances due to employees who terminate or retire from the City as well as any severance payouts. These assets are restricted due to management's designation of assets for future payments for employee uses.

### 3. Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due from/due to other funds" (amounts due within one year), or "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances to other funds and prepaid items are offset by a nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources to indicate that they are not in spendable form.

All property taxes are collected and allocated by the County of Stanislaus to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The City participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the City based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property taxes are recognized in governmental funds when it is available and measurable. The City considers property tax as available if it is received within 60 days after year-end.

Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end; therefore, revenue from taxpayer-assessed taxes is accrued if it is received by August 31.

Grant and entitlement revenues are recorded as receivables in the funds when they are susceptible to accrual (i.e., when all eligibility requirements have been met). The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as deferred inflows of resources. The corresponding proprietary fund revenues are recorded as nonoperating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received. The total amount due from governments for grants, entitlements, and shared receivables and revenues at June 30, 21 is \$60,095,775

Utility service accounts receivable are \$20,055,996 net of an allowance for doubtful collections of \$1,145,407 and include unbilled receivables using actual amounts billed in July for June services for all City funds. City accounts receivable of \$5,483,240 are reported net of an allowance for doubtful collections of \$1,764,545 and are based on miscellaneous receivables from the City's invoice system as well as other receivables accrued at year-end.

### 4. Inventories and Prepaid Expenses/Expenditures

Inventories of material and supplies held by governmental and proprietary funds are stated at average cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures. The consumption method is used to record the prepaid expenses/expenditures.

### 5. Capital Assets

Capital assets, which include property, plant and equipment, intangible assets and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received in a service concession agreement and all other types are recorded at acquisition value rather than fair value.

In the case of the initial capitalization of infrastructure assets reported by governmental activities, the City chose to include them regardless of their acquisition date or amount. Historical values were estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and enterprise funds are included as part of the capitalized value of the assets constructed. The amount of interest capitalized is determined by offsetting interest expense incurred from the date of borrowing until completion of the project, against interest earned on invested proceeds of tax-exempted debt over the same period.

Depreciation is recorded using the straight line method over the estimated useful lives of the assets, which are 75 years for pipelines, 30 years for buildings, 20 years for improvements, 12 years for buses, 10 years for furnishings and equipment, 2 to 10 years for vehicles, 5 to 15 years for intangible assets, 30 to 50 years for streets, 20 years for signalization, 30 years for water rights, 5 years for service animals, and 50 years for bridges. Operating expenses include depreciation on all depreciable capital assets.

Capital leases are recorded as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term.

#### 6. Deferred Outflows and Inflows of Resources

The Governmental Accounting Standards Board (GASB) establishes criteria for recognizing deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note II for a detail listing of the deferred outflows and inflows of resources the City has recognized.

#### 7. Compensated Absences

All earned vacation, holiday, and compensating time, and a portion of accumulated sick leave payable upon termination or retirement, are accrued in the Employee Benefits Management Internal Service Fund as compensated absences. Estimated sick leave termination payments have been calculated using the GASB Statement 16 vesting method. Under this method, a liability is accrued for a portion of the sick leave balances of all employees who are currently eligible, or are assumed to become eligible in the future, to receive a payment for sick leave upon termination. As of June 30, 2021, the total estimated liability for all compensated absences, including vacation and sick leave, is \$12,275,660.

#### 8. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, which includes City Council or by an official designated such as the City Manager for such purpose.
- *Unassigned fund balance* – the residual classification for the City's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

The City establishes and modifies or rescinds fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the City through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.

#### 9. Fund Balance Policy

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its City funds sufficient to fund cash flows of the City and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The City has adopted a policy to achieve and maintain a General Fund reserve at 8% of the fund's total operating expenditures for fiscal year 2020-2021.

### E. OTHER SIGNIFICANT ACCOUNTING POLICIES

#### 1. Employee Benefits

The City established the Employee Benefits Management Internal Service Fund to account for all compensated absences and non-insurance benefits. Insurance benefits for current employees are paid from the Insurance Internal Service Fund. The Employee Benefits Management Fund is reimbursed based on actual benefits paid and leave taken, through payroll charges to the City's operating funds. Leave earned but not taken is being funded over a reasonable period of time.

#### 2. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) Safety (police and fire) and Miscellaneous (all other) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to the liability and asset information within certain defined timeframes. For this report, the following:

Valuation Date: June 30, 2019  
Measurement Date: June 30, 2020  
Measurement Period: July 1, 2019 to June 30, 2020

#### 3. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's net position have been determined on the same measurement basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date: June 30, 2020  
 Measurement Date: June 30, 2020  
 Measurement Period: June 30, 2019, to June 30, 2020

4. Interfund Transactions

The City transfers resources among funds in the course of normal operations. Interfund services provided and used, such as equipment pool rental, are accounted for as revenues and expenditures or expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions are reported as transfers.

5. Change in Accounting Principles

During the fiscal year ended June 30, 2021, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements for Fiduciary Funds and the restatement of net position for Custodial Funds, previously referred to as Agency Funds.

		Other Custodial Funds
Net position, June 30, 2020, as previously reported	\$	-
Change in Accounting Principles		10,991,813
Net position, July 1, 2020	\$	10,991,813

F. NEW ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2021, the City implemented the following GASB Standards:

*GASB Statement No. 84 – Fiduciary Activities.* The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

*GASB Statement No. 98 – The Annual Comprehensive Financial Report.* The requirements of this statement are effective for reporting periods ending after December 15, 2021.

Released GASB Statements to be implemented in future financial statements are as follows:

*GASB Statement No. 87 – Leases.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

*GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

*GASB Statement No. 90 – Majority Equity Interests-* an amendment of GASB Statements No. 14 and No 61. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

*GASB Statement No. 91 – Conduit Debt Obligations* – The requirement of these statements are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

*GASB Statement No. 92 – Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

*GASB Statement No. 93 – Replacement off Interbank Offered Rates*. The requirements of this statements are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2022.

*GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

*GASB Statement No. 96 – Subscription-Based Information Technology Arrangements*. The Requirements of this statement are effective for reporting periods beginning after June 15, 2022.

*GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

**II. DETAILED NOTES**

**A. CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is used by all funds. Each fund’s portion of the City’s cash and investment pool is displayed on the balance sheet and proprietary and fiduciary fund statements of net position as “cash and cash equivalents.” Each fund is allocated interest on average monthly cash balances held by the funds throughout the year. Certain deposits held in trust are displayed on the governmental funds balance sheet and the proprietary funds statement of net position as “restricted assets – cash and cash equivalents.” The City also maintains “cash and cash equivalents with fiscal agent”, which represent monies held by fiscal agents for payment of various City debt and capital projects costs.

The City’s cash and investments are reported as follows:

Primary Government:	
Cash and cash equivalents	\$ 362,442,725
Restricted cash and cash equivalents	95,210,338
Cash and cash equivalents held with fiscal agent	24,009,316
Sucessor Agency Private-Purpose Trust Fund	
Cash and cash equivalents	2,174,096
Cash and cash equivalents held with fiscal agent	1,977,080
Custodial funds	
Cash and cash equivalents	1,551,009
Cash and cash equivalents held with fiscal agent	<u>2,933,813</u>
Total cash and investments	<u>\$ 490,298,377</u>

Investments Authorized by the California Government Code and the City’s Investment Policy

The City’s investment policy and the California Government Code allow the City to invest in the following types of instruments, and the table also identifies certain provisions of the California Government Code, or the City’s investment policy where it is more restrictive:

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Maximum % per Issuer	Minimum Quality Requirements
Treasury Obligations	5 years	None	None	None
State Obligations	5 years	None	None	A rating
CA Local Agency Obligations	5 years	None	None	A rating
Federal Agencies	5 years	None	None	None
Supranationals	5 years	30%	5%	AA
Banker's Acceptances	180 days	40%	5%	Federal Reserve eligible
Commercial Paper	270 days	25%	5%	A1/P1 rating
Negotiable Certificates of Deposit	5 years	30%	5%	A rating
Certificates of Deposit	1 year	20%	5%	FDIC insured or collateralized
Repurchase Agreements	90 days	None	5%	None
Reverse Repurchase Agreements	92 days	20 % of combined base value	5%	None
Medium Term Notes	5 years	30%	5%	A rating
Money Market Mutual Funds	N/A	20%	10%	Multiple
Mortgage and Asset-backed Securities	5 years	20%	5%	AA Rating
CAMP	N/A	None	None	N/A
LAIF	N/A	N/A	None	N/A

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. Security types prohibited include, but are not limited to: Investments in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. At June 30, 2021, the fair value approximated the City's cost. At June 30, 2021, these investments range from a maximum maturity of 5 years to some maturity limits of 180 days or less. The City reports its investments in CAMP at the fair value amounts provided by CAMP.

#### Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute.

#### Custodial Credit Risk – Deposits

The Custodial Credit Risk for Deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits, or will not be able to recover collateral securities that are in the possession of an

outside party. The City does not, currently, have a Custodial Credit Risk – Deposits Policy. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 110% to 150% of the City’s cash on deposit. All of the City’s deposits are either insured by the Federal Depository Insurance Corporation (FDIC), collateralized with pledged securities held by Wells Fargo, or by Letters of Credit from the Federal Home Loan Bank of San Francisco.

The City of Modesto has 6 deposit accounts at Bank of the West that are monitored for deposit collateral purposes. As per the CA Government Code, the bank must provide collateral for the collected deposit balances at 110% for securities and 105% for letters of credit coverage. As of June 30, 2021, the City had collected deposit balances of \$10,080,477. On this amount, the FDIC insurance coverage was \$250,000.

For further information, as of June 30, 2021, Bank of the West has over \$8.02 billion in public fund deposits and over 3,300 accounts that are collateralized in accordance with the state’s government codes and other applicable laws. Of the total \$8.02 billion public fund deposits, the minimum collateral required is \$7.49 billion and the market value of pledged securities (aka related collateral) is \$9.84 billion.

### Custodial Credit Risk – Investments

The Custodial Credit Risk for Investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third-party custodian.

The City’s investments consist of pooled investments, dedicated investments, and other funds held by trustees. The dedicated investment funds represent restricted funds and relate to bond proceeds of the Water and Sewer Enterprise Funds, assessment districts (reported under Agency Funds) and the Successor Agency. The other funds held by trustees are made either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with trust agreements. All investments held by a custodian are in the City’s name excluding the Successor Agency.

### Interest Rate Risk

Interest Rate Risk is the risk that interest rates will rise and reduce the fair value of an investment. Long-term fixed-income securities have the greatest amount of interest rate risk, due to their duration, or sensitivity to interest rate changes, being greater.

As of June 30, 2021, the City owned ten callable bonds. There were no Federal Agency callables in the portfolio. Information on those bonds has been provided as follows:

#### **Corporate Notes**

<u>Amount</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Call Terms</u>
\$3,416,000	1/28/2026	12/28/2025	Callable on and any time after 12/28/2025
\$2,213,000	11/13/2025	10/13/2025	Callable on and any time after 10/13/2025
\$2,341,000	9/21/2023	9/21/2022	Callable on and any time after 09/21/2022
\$4,301,000	2/6/2023	8/6/2021	Callable quarterly after 8/6/2021
\$4,262,000	7/8/2024	4/15/2023	Callable on and any time after 4/15/2023
\$3,664,000	3/15/2024	2/15/2024	Callable on and any time after 2/15/2024
\$1,404,000	9/16/2024	9/16/2023	Callable annually after 9/16/2023
\$732,000	5/15/2025	4/15/2025	Callable on and any time after 4/15/2025
\$3,060,000	2/5/2024	1/5/2024	Callable on and any time after 1/5/2024
\$2,363,000	2/14/2025	1/14/2025	Callable on and any time after 1/4/2025

## Disclosures Related to Credit Risk

Generally, Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City may from time to time be invested in a security whose rating is downgraded subsequent to the date of purchase. In the event a rating drops below the minimum allowed rating category for that given investment type, the investment advisor shall notify the Finance Director and recommend a plan of action. The City will limit investments in any one non-government issuers, except investment pools to no more than 5% regardless of security type.

The following table summarizes the City's investments based on maturity dates of various investments:

Investment Type	Credit Rating		Total	Remaining Maturity (in Months)		
	Standard & Poor's	Moody's Investors Service		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury Bond/Notes	AA+	Aaa	\$ 105,714,176	\$ -	\$ 14,957,009	\$ 90,757,167
Supra-National Agency Bond / Note	AAA	Aaa	1,784,859	-	-	1,784,859
Municipal Bond/Notes	See Below	See Below	7,716,836	-	-	7,716,836
Federal Agencies:						
Collateralized Mortgage Obligation	AA+	Aaa	6,061,261	3,007,443	1,099,979	1,953,839
Bonds/Notes	AA+	Aaa	91,659,273	-	27,923,263	63,736,010
Corporate Notes	See Below	See Below	38,415,197	3,546,871	2,411,999	32,456,327
Certificate of Deposits	See Below	See Below	14,982,613	2,351,017	12,631,596	-
Asset-Backed Securities	See Below	See Below	12,166,381	-	1,723,161	10,443,220
CAMP Pool	AAAm	N/A	134,424,844	134,424,844	-	-
Total			<u>\$ 412,925,440</u>	<u>\$ 143,330,175</u>	<u>\$ 60,747,007</u>	<u>\$ 208,848,258</u>
Held By Fiscal Agent						
Money Market Funds	AAAm	Aaa-mf	\$ 9,449,636	\$ 9,449,636	\$ -	\$ -
CAMP	AAAm	N/A	9,461,689	9,461,689	-	-
MID – Collateral Agreement	A+	Aa3	10,008,884	10,008,884	-	-
Fiscal Agent Total			<u>\$ 28,920,209</u>	<u>\$ 28,920,209</u>	<u>\$ -</u>	<u>\$ -</u>
City of Modesto Banking Accts & Cash on Hand	A/A-1	A1/P1	34,569,453			
Timing Differences for Deposit & Electronic Vendor Payments			(3,430,448)			
Fund Overdraft			17,313,723			
Total Cash and Investments			<u>\$ 490,298,377</u>			

The following is a table indicating the credit ratings for the City's investment in Municipal Bond/Notes:

Amount	Standard & Poors	Moody's Investors Service
\$ 620,949	AAA	Aaa
99,070	AAA	Aa1
925,259	AA+	Aaa
732,227	AA	Aa2
1,817,945	AA	Aa3
3,018,063	AA-	Aa2
503,323	A+	A2
<u>\$ 7,716,836</u>		

The following is a table indicating the credit ratings for the City's investment in Corporate Notes:

Amount	Standard & Poors	Moody's Investors Service
\$ 3,546,871	AA+	Aa1
4,262,296	AA	Aa2
3,998,538	AA	A1
2,362,822	AA-	A1
9,131,908	A+	A1
5,876,934	A+	A2
3,416,341	A	A1
5,819,487	A-	A2
<u>\$ 38,415,197</u>		

The following is a table indicating the credit ratings for the City's investment in Negotiable Certificate of Deposits:

Amount	Standard & Poors	Moody's Investors Service
\$ 2,351,017	A-1	P-1
1,790,546	AA-	Aa2
3,505,862	AA-	Aa3
3,628,569	A+	Aa2
1,852,951	A+	Aa3
1,853,668	A	A1
<u>\$ 14,982,613</u>		

The following is a table indicating the credit ratings for the City's investment in Asset-Backed Securities:

Amount	Standard & Poors	Moody's Investors Service
\$ 3,209,308	AAA	Aaa
3,997,156	AAA	NR
4,959,917	NR	Aaa
<u>\$ 12,166,381</u>		

## Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments are as follows at June 30, 2021:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Portfolio</u>
Fannie Mae (FNMA)	Federal agency securities	\$55,413,634	11.30%
Freddie Mac (FHLMC)	Federal agency securities	\$34,955,238	7.13%

## Fair Value measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, of which levels 1 & 2 apply to the City as follows:

- Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement. Examples would be securities with prices derived from the major exchanges.
- Level 2: Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data. Examples would be securities with prices derived from market corroborated sources such as indices and yield curves; and matrix pricing, such as for most debt securities.

Union Bank is the custodian of the City's investments. Union Bank utilizes pricing services that deliver current market values and security information which is input into their trust accounting systems. A security will be valued on the basis of valuations provided by a pricing service vendor if it has a substantial public market (i.e. is not thinly traded), and is freely tradable without restriction, has a valid CUSIP or SEDOL and resides on one of the depositories. Based on their direction, Union Bank will continue to obtain valuations for all other securities and assets, for which they do not receive a pricing feed and/or descriptive information from their pricing service vendors, from various sources independent of Union Bank. If no current market value price is available from their pricing service vendors and their agents have provided Union Bank with pricing information, Union Bank will show the value of the asset at such value as Union Bank shall determine, such value to be for administrative purposes only and not be any indication of any market value.

The Pool has the following recurring fair value measurements as of June 30, 2021:

<u>Investments by Fair Value Level</u>	<u>Fair Value Measurements Using</u>			
			Quoted Prices in	Significant Other
			Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)
U.S Treasury Bonds / Notes	\$	105,714,176	\$ 105,714,176	\$ -
Supra-National Agency Bond / Note		1,784,859	-	1,784,859
Municipal Bonds / Notes		7,716,836	-	7,716,836
Federal Agency Collateralized Mortgage Obligation		6,061,261	-	6,061,261
Federal Agency Bonds / Notes		91,659,273	-	91,659,273
Corporate Notes		38,415,197	-	38,415,197
Certificate of Deposits		14,982,613	-	14,982,613
Asset-Backed Securities		12,166,381	-	12,166,381
Total Investments measured at fair value		278,500,596	\$ 105,714,176	\$ 172,786,420
Investments not subject to Fair Value hierarchy				
CAMP		134,424,844		
	\$	412,925,440		

**Fair Value Measurements Using (continued)**

Investments by Fair Value for Fiscal Agents	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs	
	(Level 1)		(Level 2)	
Money Market Funds	\$ 9,449,636	\$ -	\$ -	\$ 9,449,636
Total Fiscal Agent investments measured at fair value	9,449,636	\$ -	\$ -	9,449,636
Investments not subject to Fair Value hierarchy				
CAMP	9,461,689			
MID Collateral Agreement	10,008,884			
	<u>\$ 28,920,209</u>			

**B. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 29,149,707	\$ -	\$ -	\$ 29,149,707
Construction in progress	80,942,713	53,298,753	(5,651,719)	128,589,747
Total capital assets, not being depreciated:	<u>110,092,420</u>	<u>53,298,753</u>	<u>(5,651,719)</u>	<u>157,739,454</u>
Capital assets being depreciated:				
Buildings	33,010,345	-	-	33,010,345
Improvements other than buildings	125,295,823	1,969,566	-	127,265,389
Furnishings & equipment	14,305,080	258,890	(611,400)	13,952,570
Buses and fareboxes	278,852	-	-	278,852
Service animals	45,924	-	(7,412)	38,512
Intangible assets	8,337,049	13,369	(376,115)	7,974,303
Equipment pool	44,634,570	1,202,838	(1,389,027)	44,448,381
Infrastructure				
Streets	514,477,328	1,263,226	5	515,740,559
Signals	25,329,952	-	-	25,329,952
Bridges	37,078,565	-	-	37,078,565
Pipeline	418,147	-	-	418,147
Total capital assets, being depreciated:	<u>803,211,635</u>	<u>4,707,889</u>	<u>(2,383,949)</u>	<u>805,535,575</u>
Less accumulated depreciation for:				
Buildings	(22,587,154)	(873,119)	-	(23,460,273)
Improvements	(68,666,887)	(4,894,735)	-	(73,561,622)
Furnishings & equipment	(11,251,229)	(644,139)	550,587	(11,344,781)
Buses and fareboxes	(253,749)	-	-	(253,749)
Service animals	(32,555)	(6,087)	7,412	(31,230)
Intangible assets	(5,945,519)	(408,534)	376,115	(5,977,938)
Equipment pool	(28,399,345)	(3,286,710)	1,202,797	(30,483,258)
Infrastructure				
Streets	(337,515,309)	(10,305,673)	-	(347,820,982)
Signals	(18,370,777)	(495,537)	-	(18,866,314)
Bridges	(9,690,303)	(741,571)	-	(10,431,874)
Pipelines	(1,158)	(5,570)	(5)	(6,733)
Total accumulated depreciation	<u>(502,713,985)</u>	<u>(21,661,675)</u>	<u>2,136,906</u>	<u>(522,238,754)</u>
Total capital assets being depreciated, net	300,497,650	(16,953,786)	(247,043)	283,296,821
Governmental activities capital assets, net	<u>\$ 410,590,070</u>	<u>\$ 36,344,967</u>	<u>\$ (5,898,762)</u>	<u>\$ 441,036,275</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 509,582
Community development	1,070,156
Highways and streets	12,044,451
Public works	107,601
Parks and recreation	474,451
Public safety	4,502,118
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,953,316</u>
Total depreciation expense – Governmental activities	<u>\$ 21,661,675</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 34,511,762	\$ 1,057	\$ -	\$ 34,512,819
Construction in progress	235,488,177	23,667,968	(28,594,605)	230,561,540
Total capital assets, not being depreciated:	<u>269,999,939</u>	<u>23,669,025</u>	<u>(28,594,605)</u>	<u>265,074,359</u>
Capital assets being depreciated:				
Capitalized interest	19,496,181	-	-	19,496,181
Buildings	101,986,294	-	-	101,986,294
Improvements other than buildings	434,877,738	24,422,374	-	459,300,112
Furnishings and equipment	15,502,786	710,390	(209,099)	16,004,077
Intangible assets	403,384	-	-	403,384
Water rights	358,226,691	-	-	358,226,691
Buses and fareboxes	34,290,246	2,872,850	(524,631)	36,638,465
Pipelines	200,150,538	6,306,783	-	206,457,321
Total capital assets, being depreciated:	<u>1,164,933,858</u>	<u>34,312,397</u>	<u>(733,730)</u>	<u>1,198,512,525</u>
Less accumulated depreciation for:				
Capitalized interest	(14,011,943)	(504,786)	-	(14,516,729)
Buildings	(71,496,667)	(1,980,459)	-	(73,477,126)
Improvements other than buildings	(210,708,944)	(16,041,353)	-	(226,750,297)
Furnishings and equipment	(10,379,677)	(1,012,563)	142,446	(11,249,794)
Intangible assets	(388,382)	(8,880)	-	(397,262)
Water rights	(119,408,899)	(11,940,890)	-	(131,349,789)
Buses and fareboxes	(17,864,009)	(2,296,675)	266,867	(19,893,817)
Pipelines	(49,954,636)	(2,633,020)	-	(52,587,656)
Total accumulated depreciation	<u>(494,213,157)</u>	<u>(36,418,626)</u>	<u>409,313</u>	<u>(530,222,470)</u>
Total capital assets being depreciated, net	<u>670,720,701</u>	<u>(2,106,229)</u>	<u>(324,417)</u>	<u>668,290,055</u>
Business-type activities capital assets, net	<u>\$ 940,720,640</u>	<u>\$ 21,562,796</u>	<u>\$ (28,919,022)</u>	<u>\$ 933,364,414</u>

Business-type activities:

Water	\$19,733,414
Sewer	11,405,164
Bus	3,479,726
Parking	385,570
Storm drain	411,197

Compost	101,610
Airport	785,141
Golf	51,655
Community center	65,149
Total depreciation expense – Business-type activities	<u>\$36,418,626</u>

**C. LONG-TERM DEBT**

Loans Payable

Governmental Activities:

No-interest loan payable to the Stanislaus County Economic Development Bank loan program, to pay costs incurred by the City for the Kiernan Business Park East Project; loan intended to be repaid when the financing mechanism is established. As of June 30, 2021, no payments have been made to the Stanislaus County Economic Development Bank. According to the agreement, the Project will be completed as of the date the City first issues building permits within the Kiernan Business Park East area. To date, no building permits have been issued. Kiernan Business Park East project revenues, mainly CFD special taxes, have been pledged as collateral.

\$ 500,000

Business-Type Activities:

Water Enterprise Fund:

Loan payable to State of California Department of Public Health, also known as ARRA Water Grant. This Agreement constitutes funding in the form of a loan with forgiveness of principal made by the State under the provisions of California Safe Drinking Water State Revolving Fund Law of 1997, and the American Recovery and Reinvestment Act of 2009 (ARRA) Public Law 11 1-5. The purpose of the funding is to assist in financing construction of a project, which will enable the City to meet safe drinking water standards or to address other health concerns, herein referred to as the "Project". The total amount for the project was \$1,136,656, of which 50% was to be repaid as a loan. This original loan amount of \$568,328 has a payment term of 20 years at 2.5017% interest rate. Water Enterprise fund revenues have been pledged as collateral.

The following are significant terms that pertain to the ARRA Water Grant. Acceleration Clause: In event of default, State may declare the Supplier's obligations immediately due and payable. Events of Default: default allows State to alter principal forgiveness, accelerate, terminate further disbursements, file lawsuit. Termination Events: Any funds already disbursed to Supplier under the terms of this Agreement shall be an obligation immediately due and payable to State.

\$ 347,087

Sewer Enterprise Fund:

Loan payable to California State Water Resources Control Board, State Revolving Fund. The Project, commonly known as North Valley Regional Recycled Water Program generally consists of constructing improvements to the City's existing pump station. The City will then distribute the recycled water to the Del Puerto Water District for agricultural use increasing recycled water supplies by 5.4 billion gallons per year within the first 5 years of operation and 9.9 billion gallons per year at build out. Completion of construction date was established as June 30, 2018. Project completion date was established as December 31, 2018.

The City agrees to repay all project funds at an interest rate of zero percent (0%) per annum and an administrative service charge of one percent (1%) per annum. The total final loan amount was \$29,747,008, including \$68,857 of approved Construction Period Interest. The loan repayment term is 30 years (final payment due on June 30, 2048) and after an initial payment of \$1,104,284, in the fiscal year ending June 30, 2019, the annual principal and interest payment is \$1,152,162 beginning in the fiscal year ending June 30, 2020. Sewer Enterprise fund net revenues have been pledged as collateral.

The following are significant terms that pertain to the California State Water Resources Control Board, State Revolving Fund loan payable related to the North Valley Regional Recycled Water Program. Acceleration and Termination Events Clauses: the City immediately repays to the State Water Board an amount equal to Project Funds disbursed under the Installment Sale Agreement and Grant, accrued interest, penalty assessments, and Additional Payments. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the City to the date all monies due have been received by the State Water Board. Events of Default: default allows State Water Resources Control Board to terminate obligation, which results in acceleration.

27,193,316

Total Principal Balances – Business-Type Activities

\$ 27,540,403

Annual debt service requirements to maturity for loans payable are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ -	\$ -	\$ 908,007	\$ 280,443
2023	-	-	917,509	270,942
2024	500,000	-	927,116	261,335
2025	-	-	936,830	251,620
2026	-	-	946,653	241,798
2027-2031	-	-	4,884,489	1,057,768
2032-2036	-	-	4,995,427	801,669
2037-2041	-	-	5,212,809	548,000
2042-2046	-	-	5,478,714	282,094
2047-2048	-	-	2,332,849	35,369
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 27,540,403</u>	<u>\$ 4,031,038</u>

Certificates of Participation:

Business-Type Activities:

Golf Enterprise Fund:

1993 Refunding Certificates of Participation issued to refund earlier certificates for the Creekside Golf Course capital project; issued with an aggregate principal of \$8,130,000, with final maturity in 2023. Annual principal payments are due November 1st and beginning in 2010 range from \$250,000 to \$480,000, ending in 2023. The certificates are repayable from any source of available funds of the City. However, the City has elected to repay the certificates with revenues of the Golf Enterprise Fund.

The following are significant Events of Default terms that pertain to the 1993 Refunding COPs. Trust Agreement: Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, upon written request of >25% of bondholders, initiate lawsuit; Lease Agreement: In an Event of Default under the Lease Agreement, the Authority at its option may terminate the Lease Agreement and re-lease all or any portion of the Project, and the City agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as provided in the Lease Agreement in the case of payment of Lease payments.

\$ 1,375,000

Water Enterprise Fund:

2008 Water Refunding Revenue Certificates of Participation issued to refund the 2006 issue, to provide funding for construction of new downstream water facilities and various water distribution system improvements in connection with Modesto Irrigation District's expansion of the regional water treatment plant; variable rate securities maturing October 1, 2036, with interest initially calculated weekly, fluctuating according to market conditions. The Certificates may be converted to a daily, term, flexible, or fixed rate.

While the 2008 COPs are in the Weekly Mode, they are subject to optional tender and mandatory tender for purchase. Funds for the payment of the purchase price of 2008 COPs that are tendered for purchase and that are not remarketed by the Remarketing Agent will be available (subject to certain conditions) under a Standby Certificate Purchase Agreement, dated May 1, 2008 (the "Liquidity Facility"). The Liquidity Facility does not support, secure or guarantee the payments of the principal or interest with respect to the 2008 COPs. Subject to the terms and conditions of the Liquidity Facility, the Liquidity Facility Provider is to provide funds for the payment of the purchase price on each purchase of 2008 COPS up to \$47,625,000 in principal amount (the "Available Principal Commitment") and \$548,014 an amount equal to 35 days' interest on the Available Principal Commitment at an assumed rate of 12% and accrued interest on 2008 COPs subject to the Weekly Rate tendered or deemed tendered for purchase in the event that remarketing proceeds are not sufficient to pay the purchase price of such 2008 COPs.

The Liquidity Facility will not provide for the payment of principal and interest on any 2008 COPs other than with respect to the purchase price of the 2008 COPs tendered or deemed tendered and not remarketed. Barring an event of default, any such draws on the Letter of Credit will be repaid under the terms of the Reimbursement Agreement. Under the terms of the Reimbursement Agreement, the City will repay the amount drawn in ten equal semi-annual installments of principal, plus monthly interest at the Bank Rate, over a five-year period. However, the entire balance of the amount drawn shall become due immediately if the 2008 COPs are cancelled or prepaid, are remarketed, or converted to bear interest at a rate other than a daily rate or weekly rate; an alternate credit facility is secured; or an event of default occurs. The Credit Facility and Reimbursement Agreement initially expired May 29, 2011, was subsequently extended to July 14, 2017 at a commitment fee of 0.875%, then again to June 15, 2020 at a commitment fee of 0.7%, then again to June 15, 2023 at a commitment fee of 0.575%.

The City entered into a 30-year interest rate swap agreement as discussed below. The combination of the variable rate 2008 COPs and the floating rate swap creates a synthetic fixed-rate debt for the City. The average synthetic fixed-rate was 3.28% for the fiscal year ending June 30, 2021.

The following are significant terms that pertain to the 2008 COPs. Acceleration Clauses: in the event of late payment, Authority shall accelerate bond payments; in the event of other default, Authority may choose to accelerate bond payments. Events of Default: in the event of nonpayment, insolvency, or loss of bond insurance, the obligation of the Letter of Credit provider shall terminate; in the event of nonpayment of Letter of Credit fees or downgrade of Bonds to below investment grade, the Letter of Credit provider may terminate the Letter of Credit. Termination Events: The termination of the Letter of Credit triggers mandatory tender; termination of swap triggers on-time termination payment.

43,265,000

Total Principal Balances – Business-Type Activities

44,640,000

Less:

Unamortized Bond Discount – 2008 Water Refunding Certificates of Participation (82,460)

Total Business-Type Activities – Certificates of Participation \$ 44,557,540

The City has pledged all Gross Revenues of the Water Utility System to repay the 2008 Certificates of Participation. The City has pledged future Golf Enterprise Fund revenues (net proceeds of the Certificates held in Escrow Fund and certain other moneys held under the Trust Agreement relating to the Golf Course Certificates) to pay the 1993 Certificates of Participation for the Golf Course Refinancing project. The Water and Golf Funds combined total principal and estimated total interest remaining to be paid on the certificates is \$44,825,177. The Water Fund's principal, interest and other debt service cost paid on certificates for the current year, along with payments for the ARRA loan payable and payments to Modesto Irrigation District under the Treatment and Delivery Agreement, totaled \$12,877,268, and net operating revenues of the Fund were \$42,371,400, which represented coverage of 329%. The Golf Fund's principal and interest paid on certificates totaled \$488,005, and net operating revenues of the Fund were \$471,259, which represented coverage of 96.6%.

Annual debt service requirements to maturity for Certificates of Participation for 2008 Water and 1993 Golf are as follows:

Year Ending	Business-Type Activities	
	Principal	Interest
June 30,		
2022	\$ 860,000	\$ 66,464
2023	910,000	44,001
2024	2,780,000	20,156
2025	2,410,000	7,657
2026	2,515,000	7,160
2027-2031	14,110,000	27,659
2032-2036	17,185,000	11,885
2037-2039	3,870,000	195
Total	<u>\$ 44,640,000</u>	<u>\$ 185,177</u>

Lease Revenue Bonds:

Governmental Activities:

Regularly scheduled payments of principal and interest are supported by an irrevocable, direct pay Letter of Credit (the "Credit Facility") issued by Bank of the West on June 13, 2019, which replaced a Letter of Credit previously issued by Bank of America, N.A. The Trustee can draw funds under the Credit Facility to pay the purchase price of tendered bonds that are not remarketed. Barring an event of default, any such draws on the Letter of Credit will be paid under the terms of the Reimbursement Agreement. Under the terms of the Reimbursement Agreement, the City will repay the amount drawn in equal quarterly installments of principal plus monthly interest, at the Bank Rate, over a three-year amortization period. However, the entire balance of the amount drawn shall become due immediately if the tendered bonds are remarketed or defeased, or an alternate credit facility is secured, or an event of default occurs. The Credit Facility and Reimbursement Agreement are scheduled to expire June 13, 2023 and contain a commitment fee of 0.375%. The following are significant terms that pertain to the 2008 Lease Revenue Bonds. Acceleration Clauses: in the event of late payment, Trustee may accelerate bond payments; in the event of an Event of Default occurring under the Lease Agreement, the Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Lease Agreement in order to remedy the default. Events of Default: in Event of Default, Letter of Credit provider may declare

all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued and unpaid thereon, and all other amounts payable to the Letter of Credit provider under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest or nay notice of any kind. Termination Events: the termination of Letter of Credit triggers mandatory tender; termination of swap triggers on-time termination payment; in the event that the City files a bankruptcy petition or the City makes a general assignment for the benefit of creditors, all amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued thereon and all other amounts owed to the Bank under the Reimbursement Agreement shall be immediately due and payable, without notice to the City or the Authority and without presentment, demand, protest or further notice of any kind.

\$ 46,745,000

Annual debt service requirements to maturity for Lease Revenue Bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2022	\$ 2,390,000	\$ 8,952
2023	2,585,000	8,442
2024	2,785,000	7,913
2025	2,990,000	7,301
2026	3,240,000	6,661
2027-2031	19,140,000	22,257
2032-2034	13,615,000	3,272
Total	<u>\$ 46,745,000</u>	<u>\$ 64,798</u>

### Revenue Bonds

#### Business-Type Activities:

#### Sewer Enterprise Fund:

Wastewater Revenue Refunding Bonds, Series 2020 A&B; interest payable on November 1 and May 1; principal is payable in annual installments on each November 1. Principal repayments for the 2020A federally taxable bonds commence November 1, 2021 and pause November 1, 2026, with interest rates from 0.38% to 1.2%. Principal repayments for the 2020B federally tax-exempt bonds commence November 1, 2027 and end November 1, 2030, with interest rates of 5%. Principal repayments for the 2020A federally taxable bonds recommence November 1, 2031 and end November 1, 2036 with interest rates from 2.079% to 2.479%. Payment of principal and interest on the Series 2020 A&B Bonds is secured by a pledge of Net Revenues of the Sewer Enterprise Fund. The Series 2020 A&B Bonds constitute "Parity Debt" under the Indenture.

On October 27, 2020, the City issued the Series 2020 A&B Bonds as a Parity Debt to fully payoff the loan payable to California State Water Resources Control Board, State Revolving Fund. The proceeds were used to repay the loan and cost of issuance in connection with the financing. The loan payable has been fully paid off, the City will realize annual savings of around \$510,000 in cash flow with an overall economic gain of 6.61% or \$7,056,050 in present value savings.

The original loan was taken out in connection with the Tertiary Treatment Phase 1B Project, generally consisting of constructing a 12.6 million gallon per day tertiary treatment plant. Completion of construction date was established as June 1, 2016, and project completion date was established as December 1, 2016.

The following are significant terms that pertain to the Wastewater Revenue Refunding Bonds, Series

2020 A&B. Acceleration Clause: upon violation by the City of any material provision of the Project Finance Agreement, the State Water Board may terminate agreement by written notice during construction of the Project, or thereafter at any time prior to complete repayment by the City, upon which the City agrees, upon demand, to immediately repay to the State Water Board an amount equal to Installment Payments due under the Project Finance Agreement, including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Recipient to the date of full repayment by the Recipient. Events of Default: upon violation by the City of any material provision, State Water Board may terminate agreement which triggers acceleration. Termination Events: upon termination of the agreement by the State Water Board, the City agrees to immediately repay to the State Water including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Recipient to the date of full repayment by the City.

\$ 94,310,000

Wastewater Revenue Refunding Bonds, Series 2018A; interest payable on November 1 and May 1; principal is payable in annual installments on each November 1, commencing November 1, 2025 and ending November 1, 2036, with interest rates from 4% to 5%. Payment of principal and interest on the Series 2018A Bond is secured by a pledge of Net Revenues of the Sewer Enterprise Fund. The Series 2018A Bond constitutes "Parity Debt" under the Indenture.

On April 19, 2018, the City issued the Series 2018A Bond as a Parity Debt to fully refund the 2006A Wastewater Revenue Bonds. The proceeds were used to refund the 2006A Wastewater Revenue Bonds and pay cost of issuance in connection with the financing. The Series 2006A has been fully redeemed, and the City will realize significant savings from the refunding of the 2006A bonds.

The following are significant terms that pertain to the Wastewater Revenue Refunding Bonds, Series 2018A. Acceleration Clause: in each and every such case during the continuance of an Event of Default (and subject to any rights granted to any insurer of the Bonds with respect to the enforcement of remedies upon an Event of Default pursuant to a Supplemental Indenture), the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the City, to declare the principal of all of the bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Events of Default: upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, initiate a lawsuit.

11,340,000

Wastewater Revenue Refunding Bond Series 2015 - Direct Placement; interest payable on November 1 and May 1, commencing May 1, 2016. Principal is payable in annual installments on each November 1, commencing November 1, 2016 and ending November 1, 2024. The Series 2015 Bond shall bear interest at a rate equal to 2.42% per annum; The Series 2015 Bond constitutes "Parity Debt" under the Indenture; Payment of principal and interest on the Series 2015 Bond is secured by a pledge of Net Revenues of the Sewer Enterprise Fund (i.e., 1) all fees and charges received by the City for the services of the Enterprise; 2) all other income and revenue howsoever derived by the City from the ownership; 3) all sums deposited, or required under the Indenture to be deposited, in the Sewer Enterprise Fund; less the amount of Operating Expenses becoming payable during such period).

On October 30, 2015, the City issued the Series 2015 Bond, as a Parity Debt to fully refund the 2005A and partially refund the 2006A Wastewater Revenue Bonds. The proceeds were used to: 1) Refund the Wastewater Revenue Refunding Bonds, Series 2005A, which refinanced the acquisition and construction of improvements to the City's wastewater enterprise, 2) refund a portion of the Wastewater Revenue Bonds, Series 2006A, and 3) pay cost of issuance in connection with the financing. The Series 2005A Bonds have been fully redeemed and the 2023 and 2024 maturities of Series 2006A Bonds were redeemed. The City will realize significant savings from the refunding of the 2005A and 2006A Bonds.

The following are significant terms that pertain to the Wastewater Revenue Refunding Bond Series 2015 - Direct Placement. Acceleration Clauses: in each and every such case during the continuance of an Event of Default (and subject to any rights granted to any insurer of the Bonds with respect to the enforcement of remedies upon an Event of Default pursuant to a Supplemental Indenture), the Owners of not less than a majority in the aggregate amount of Bond Obligation of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the City, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Events of Default: upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, upon written request of >25% of bondholders, initiate lawsuit.

	7,127,315
Total Principal Balances – Business-Type Activities	112,777,315
Add: Unamortized Bond Premium – 2018A Wastewater Bonds	1,739,211
Unamortized Bond Premium – 2020B Wastewater Bonds	7,867,742
Total Business-Type Activities Revenue Bonds	<u>\$ 122,384,268</u>

Annual debt service requirements to maturity for the Wastewater Revenue Refunding Bond Series 2015 - Direct Placement are as follows:

Year Ending	Business-Type Activities	
	Principal	Interest
June 30,		
2022	\$ 2,644,114	\$ 140,488
2023	2,708,639	75,719
2024	876,795	32,335
2025	897,767	10,862
Total	<u>\$ 7,127,315</u>	<u>\$ 259,404</u>

Annual debt service requirements to maturity for total Revenue Bonds are as follows:

Year Ending	Business-Type Activities	
	Principal	Interest
June 30,		
2022	\$ 8,034,114	\$ 3,042,902
2023	8,123,639	2,955,762
2024	6,316,795	2,883,412
2025	6,377,767	2,822,250
2026	6,240,000	2,743,524
2027-2031	34,725,000	10,190,981
2032-2036	41,745,000	3,158,328
2037	1,215,000	30,375
Total	<u>\$ 112,777,315</u>	<u>\$ 27,827,534</u>

## Notes Payable

### Governmental Activities:

On March 26, 2015, the City received notice of a public offering to refinance the existing HUD Section 108 Loan note, with an outstanding balance of \$2,789,000. The City agreed to refinance the note, as it reduced the interest on the HUD Section 108 Loan, a net savings of approximately \$502,908. The public offering date was May 28, 2015. The terms of the new promissory note include semi-annual payments in August and February through the maturity date of August 1, 2024. The interest rates range from 0.28% through 2.85%. No new security provisions were required, as the Contract for Fixed Rate Note incorporates the previous additional security provisions. Housing revenues are pledged as collateral.

The following are significant terms that pertain to the HUD Section 108 Loan. Acceleration Clause: upon a Default or declaration of Default, the Secretary may accelerate the Note with respect to amounts subject to Optional Redemption. Events of Default: the Secretary may withhold the guarantee of any or all obligations not yet guaranteed on behalf of the Borrower under outstanding commitments, and/or direct the Borrower's financial institution to: refuse to honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account initiated by the Borrower, and/or refuse to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account.

\$ 1,282,000

Annual debt service requirements to maturity for this Notes Payable are as follows:

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2022	\$ 297,000	\$ 30,150
2023	312,000	22,838
2024	328,000	14,424
2025	345,000	4,916
Total	<u>\$ 1,282,000</u>	<u>\$ 72,328</u>

### Reimbursement Agreement

#### Business-Type Activities:

##### Water Enterprise Fund:

In 1992, the City entered into a treatment and delivery agreement with the Modesto Irrigation District (MID) and the Del Este Water Company (Del Este). The City assumed Del Este's interest and obligations under the agreement when it acquired Del Este in July 1995. Under the agreement, MID built and operates a surface water treatment plant on the Tuolumne River for the purpose of providing a long-term source of domestic treated water for the City. MID is the sole owner of the project, and has all management and operations responsibility. In exchange for the treated water, the City has agreed to pay: all debt service on bonds issued by MID for the construction of the project; a raw water charge as set forth in the agreement; project operation, administration, and maintenance costs; and insurance on the project. Gross revenues of the City's Water Fund are irrevocably pledged for the punctual payment of the MID debt service and all obligations of the City under any parity debt. Current parity debt of the City consists of the 2008 Water Revenue Certificates of Participation and the California Safe Drinking Water Act loan (as described previously). The treatment plant completed all tests and began commercial operations on May 15, 1995, at which time the City began paying for raw water and operations.

The City and MID have agreed upon an expansion of the initial Domestic Water Project facilities beyond the existing design capacity of 36 million gallons per day ("mgd") to a design capacity of 72 mgd. In June 2007, the MID issued \$93,190,000

Domestic Water Project revenue bonds pursuant to the terms of the existing treatment and delivery agreement. On August 14, 2013, Modesto Irrigation District Financing Authority refunded the 1998 D Bonds, with 2013 G Bonds. As of June 30, 2021, the total outstanding on the MID bonds is: \$11,310,000 for the 2013 G Bonds and \$93,190,000 for the 2007 F Bonds, for a total of \$104,500,000. For the 2013 G Bonds, the annual principal payments began on September 1, 2014 and mature on September 1, 2022, in amounts from \$3,970,000 to \$5,795,000, with interest rates from 2% to 5%. For the 2007 F Bonds, the annual principal payments begin on September 1, 2023 and mature on September 1, 2037 in amounts from \$4,275,000 to \$11,870,000, with variable interest rates fluctuating according to market conditions.

The following are significant terms that pertain to the 2007 F Bonds. Acceleration Clause: in the event of late payment, Authority shall accelerate bond payments; in the event of other default, Authority may choose to accelerate bond payments. In event of default, Trustee may, with consent of Bond Insurer, and shall, at the direction of Bond Insurer or the owners of >50% of the bonds (with consent of Bond Insurer) accelerate bond payments. Events of Default: in event of default, Trustee may, with consent of Bond Insurer, and shall, at the direction of Bond Insurer or the owners of >50% of the bonds (with consent of Bond Insurer) initiate a lawsuit. Termination Events: the termination of swap triggers a one-time termination payment.

The following are significant terms that pertain to the 2013 G Bonds. Acceleration and Events of Default Clauses: Trust Agreement - In the event of an Event of Default (as defined in the Trust Agreement or Installment Purchase Contract), and in each and every such case during the continuance of such event of default, the Trustee may, and shall, at the direction of the Owners of not less than a majority in aggregate principal amount of the Series 2013G Water Bonds then Outstanding, by notice in writing to the Authority, declare the principal of all Series 2013G Water bonds then Outstanding and then interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Series 2013G Water Bonds to the contrary notwithstanding; Installment Purchase Contract - In the event that default is made in the due and punctual payment of any Domestic Water Installment Payment or any Domestic Water Contract or Domestic Water Bond when and as the same shall be due and payable, then and in each and every such case during the continuance of such Event of Default specified, the Authority shall and for any other Event of Default, the Authority MAY, by notice in writing to the District, declare the entire principal amount of the unpaid Domestic Water Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Installment Purchase Contract notwithstanding. Termination Events: the termination of swap triggers one-time termination payment.

The City has entered into interest-rate swap agreements for the 2007F bonds to synthetically fix the rates that the City pays at 4.38% and 4.44%. Refer to the Interest Rate Swap agreement section below with more information about the debt schedule.

Annual debt service payments to maturity for the Reimbursement Agreement are as follows:

Year Ending	Business-Type Activities	
	Principal	Interest
June 30,		
2022	\$ 5,515,000	\$ 1,085,223
2023	5,795,000	802,473
2024	4,275,000	637,095
2025	4,455,000	605,927
2026	4,650,000	576,026
2027-2031	26,740,000	2,351,489
2032-2036	33,535,000	1,266,200
2037-2038	19,535,000	120,458
Total	<u>\$ 104,500,000</u>	<u>\$ 7,444,891</u>

Interest Rate Swap Agreements:

Objective of the swaps – The primary objective of the swaps is to mitigate the effect of fluctuations in variable interest rates by paying a fixed-rate and receiving a floating rate on the swap. Combining a pay-fixed receive-variable rate swap with

variable debt results in what is termed “synthetic” fixed-rate debt. It is called synthetic because the economics are similar to fixed-rate debt, but another instrument is involved unlike regular fixed-rate debt. Each time the City created synthetic fixed-rate debt a comparison and determination were made that the fixed-rate on regular debt would have been higher than the synthetic fixed rate on the swap.

During fiscal year 2007, the City entered into an interest swap agreement in connection with the 2006 Water Revenue Certificates of Participation. This transaction was updated due to the refunding of the 2006 Certificates by the 2008 Water Refunding Revenue Certificates of Participation (COPs). The swap agreement allows the City to create a synthetic fixed-rate on the COPs, protecting it against increases in short-term interest rates.

During fiscal year 2008, the City entered into an interest swap agreement in connection with the 2008 Lease Revenue Bonds. The swap agreement allows the City to create a synthetic fixed rate on the Lease Revenue Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of these swap agreements are disclosed below.

Additionally, in May 2007, the City approved the issuance of revenue bonds by the Modesto Irrigation District Financing Authority related to the financing of Phase 2 of the Domestic Water Treatment and Delivery System of the Modesto Irrigation District. The MID Water Refunding Bonds were issued with an interest swap feature with Bear Sterns, which was subsequently acquired by JP Morgan. Under the agreement between MID and JP Morgan, the City must post collateral when our negative position exceeds the Pledgor’s Threshold of \$20 million. This negative position represents the present value of declining interest rates to date from issuance of bonds. In June 2010, the City Council authorized the City to post collateral up to \$18 million, which would support a negative position of \$38 million. In July 2010, the City Council increased the City’s authorization to post collateral from \$18 million to up to \$20 million. At the end of fiscal year 2021, the City had posted a cumulative total of \$10,008,884 million of collateral posting, which is reported in the Water Enterprise Fund cash with fiscal agent.

Terms – The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2021 are shown in the table below. The swap agreements contain scheduled reductions to the outstanding notional amounts that are expected to follow scheduled principal reductions in the associated debt issues.

<u>Related Debt Issue</u>	<u>Current Notional Amount</u>	<u>Effective Date</u>	<u>Counterparty</u>	<u>Credit Rating (S&amp;P)</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Termination Date</u>
2008 Water Refunding-Revenue COPs	\$ 43,265,000	5/30/2008	Bank of America	A+	3.47%	63.7% of USD-LIBOR, plus .154%	10/1/2036
2008 Lease Revenue Refunding and Capital Improvement	46,745,000	8/28/2008	Bank of America	A+	3.61%	63.7% of USD-LIBOR, plus .154%	9/1/2033
2007 MID Domestic Water Revenue Bonds Series 2007F	23,370,000	6/26/2007	JP Morgan Chase Bank	A+	4.38%	67% of 3 Month LIBOR + 0.58%	9/1/2027
2007 MID Domestic Water Revenue Bonds Series 2007F	69,820,000	6/26/2007	JP Morgan Chase Bank	A+	4.44%	67% of 3 Month LIBOR + 0.63%	9/1/2037

Based on the swap agreement the City owes interest calculated at a fixed rate to the counterparty (Bank of America and JP Morgan). In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs and lease revenue bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

GASB Statement 53 (GASB 53) addresses the recognition measurement and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net position at fair value and all hedges must be tested for effectiveness to qualify for hedge accounting. The tests are outlined in GASB 53. Depending on the test results, the changes in fair value are either reported on the statement of net position as

a deferral or in the statement of activities as investment revenue or loss.

**Fair value** – Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method, which calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

As of June 30, 2021, the fair value of the swaps was in favor of the counterparty as shown in the following table:

Bond Issue	Fair Value
2008 Water Refunding Rev. Certificates of Participation	(\$ 9,463,261)
2008 Lease Revenue Bonds	(\$ 8,462,255)
2007 MID Domestic Water Revenue Bonds	(\$ 26,370,764)

**Credit risk** - As of June 30, 2021, the City was not exposed to credit risk on the swaps because the swaps had negative fair value. However, if interest rates increase and the fair value becomes positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

**Basis risk** - Basis risk is the risk that the interest rate paid by the City to the bondholders on the underlying variable rate bonds temporarily differs from the variable swap rates received from the counterparty. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying certificates of participation. The City is exposed to basis risk should the floating rate that it receives on the swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

**Termination risk** - The City may terminate the swap contracts if the other party fails to perform under the terms of the contracts. The City will be exposed to variable rates if the counterparty defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination, the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

**Swap payments and associated debt** - Using rates as of June 30, 2021, debt service requirements of the 2008 Water Refunding Revenue Certificates of Participation, the 2008 Lease Revenue Refunding Bonds, and the 2007 MID Domestic Water Revenue Bonds, including net swap payments and broker fees, are as shown in the following table assuming current interest rates remain the same for their term. The bond interest payments and net swap payments will vary as interest rates vary.

Year Ending June 30,	Variable-Rate Bonds		Net Swap Payments, Letter of Credit, & Remarketing Fees	Total
	Principal	Interest		
2022	\$ 2,815,000	\$ 675,140	\$ 6,867,586	\$ 10,357,726
2023	3,035,000	674,541	6,752,555	10,462,096
2024	9,360,000	653,164	6,510,796	16,523,960
2025	9,855,000	620,885	6,135,543	16,611,428
2026	10,405,000	589,847	5,745,701	16,740,548
2027-2031	59,990,000	2,401,405	22,195,575	84,586,980
2032-2036	64,335,000	1,281,357	9,888,968	75,505,325
2037-2038	23,405,000	120,653	878,398	24,404,051
Total	<u>\$ 183,200,000</u>	<u>\$ 7,016,992</u>	<u>\$ 64,975,122</u>	<u>\$ 255,192,114</u>

### Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2021, was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Lease Revenue Bonds	48,915,000	-	(2,170,000)	46,745,000	2,390,000
Notes Payable	1,565,000	-	(283,000)	1,282,000	297,000
Obligations Under Capital Leases	4,576,954	-	(478,076)	4,098,878	491,381
<b>Total Governmental Activities</b>	<b>\$ 55,556,954</b>	<b>\$ -</b>	<b>\$ (2,931,076)</b>	<b>\$ 52,625,878</b>	<b>\$ 3,178,381</b>
<b>Business-Type Activities:</b>					
Loans Payable	\$ 135,251,893	\$ -	\$ (107,711,490)	\$ 27,540,403	\$ 908,007
Certificates of Participation	45,445,000	-	(805,000)	44,640,000	860,000
Unamortized Discount	(87,957)	-	(5,497)	(82,460)	-
Obligations under Capital Leases	7,828	-	(2,203)	5,625	2,274
MID Bonds	109,760,000	-	(5,260,000)	104,500,000	5,515,000
Unamortized Premium	1,712,180	-	(570,726)	1,141,454	-
Sewer Bonds	11,340,000	94,310,000	-	105,650,000	5,390,000
Unamortized Premium	1,847,912	8,429,724	(670,683)	9,606,953	-
Sewer Bonds – Direct Placement	9,704,959	-	(2,577,644)	7,127,315	2,644,114
Developer Advances	858,847	8,165	(84,127)	782,885	84,127
<b>Total Business-Type Activities</b>	<b>\$ 315,840,662</b>	<b>\$ 102,747,889</b>	<b>\$ (117,676,376)</b>	<b>\$ 300,912,175</b>	<b>\$ 15,403,522</b>

Principal balances are reported on the government-wide and enterprise funds statements of net position, net of unamortized issuance discounts and premiums. Deferred losses on refunding are reported as deferred outflows of resources. Internal service funds, predominantly serve the governmental funds. Accordingly, any long-term liabilities for the internal service funds are included as part of the above totals for governmental activities. At year-end, internal service funds obligations were zero under notes payable, and zero in capital leases.

### **D. CHANGES IN OTHER LONG-TERM LIABILITIES**

Other long-term liability activity for the year ended June 30, 2021, was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 8,558,723	\$ 9,315,796	\$ 8,421,371	\$ 9,453,148	\$ 762,990
Claims Liability	26,169,123	10,658,615	8,074,881	28,752,857	7,775,304
<b>Total Governmental Activities</b>	<b>\$ 34,727,846</b>	<b>\$ 19,974,411</b>	<b>\$ 16,496,252</b>	<b>\$ 38,206,005</b>	<b>\$ 8,538,294</b>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 2,520,300	\$ 4,296,571	\$ 3,994,359	\$ 2,822,512	\$ 227,813
<b>Total Business-Type Activities</b>	<b>\$ 2,520,300</b>	<b>\$ 4,296,571</b>	<b>\$ 3,994,359</b>	<b>\$ 2,822,512</b>	<b>\$ 227,813</b>

The compensated absences and claims liability balances relate to the internal service funds, and as such they are liquidated by the internal service funds. The predominant contributors for these internal service funds include the General Fund, Water Fund, and Sewer Fund.

## E. OBLIGATIONS UNDER CAPITAL LEASES

### Governmental Activities

As of June 30, 2021, the City has two governmental activities active capital lease agreements. One with Pierce Manufacturing Inc. for the purchase of five Velocity Pumpers and two Velocity Tillers valued at \$5,883,756, less accumulated depreciation of \$2,039,165. The other with Turf Tank for the purchase of one Autonomous Robot valued at \$39,204, less accumulated depreciation of \$7,080.

The following is a schedule of the future minimum lease payments, as of June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 605,543
2023	605,543
2024	605,543
2025	605,543
2026	598,544
2027-2028	1,552,759
Total minimum lease payments	4,573,475
Less: amount representing interest	(474,597)
Present value of minimum lease payments	<u>\$ 4,098,878</u>

### Business-Type Activities

As of June 30, 2021, the City has one business-type activities active capital lease agreement with Cushman for the purchase of the Hauler 800 Utility Golf Cart valued at \$9,079, less accumulated depreciation of \$1,436.

The following is a schedule of the future minimum lease payments, as of June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 2,422
2023	2,422
2024	1,009
Total minimum lease payments	5,853
Less: amount representing interest	(229)
Present value of minimum lease payments	<u>\$ 5,625</u>

## F. DEVELOPER ADVANCES

The Del Este Water Company (Del Este) entered into various agreements with developers under which infrastructure components were either constructed on behalf of Del Este or cash was advanced to the company to construct the infrastructure. Agreements in existence at the time of the City's acquisition of Del Este were assumed by the City. The terms of repayment call for no interest, with principal paid over a 40-year period. As of June 30, 2021, the total outstanding balance due under the agreements is \$782,885. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2021, the amount of \$84,127 due during fiscal year 2022 has been reported as "current portion-developer advances" on the Water Enterprise Fund statement of net position. The remaining \$698,758 of outstanding principal has been reported under noncurrent liabilities, as "developer advances."

## G. INTERFUND BALANCES

Interfund balances as of June 30, 2021 consist of the following:

Advances from General Fund to:

Other governmental funds	\$ 845,294
Other enterprise funds	1,324,704
Advances from General Fund	<u>2,169,998</u>

Advances from other governmental funds to Bus Fund	<u>471,416</u>
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Advances from Water Fund to other enterprise funds	<u>4,340,000</u>
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Advances from Sewer Fund to:

General Fund	1,086,973
Other governmental funds	361,576
Other enterprise funds	752,400
Advances from Sewer Fund	<u>2,200,949</u>

Advances from other enterprise funds to other governmental funds	<u>211,523</u>
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Total Advances from/Advances to	<u>\$ 9,393,886</u>
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Balances reported as “advance to/advance from” were for capital projects expenditures and are either in the process of being repaid or have scheduled repayments in future years.

## H. FUND BALANCE

Detailed classifications of the City’s Fund Balances, as of June 30, 2021, are provided below:

	General Fund	Capital Grants	Operating Grants	Other Governmental	Total Governmental Funds
Nonspendable					
Advances to other funds	\$ 2,169,998	\$ -	\$ -	\$ 471,416	\$ 2,641,414
Prepaid Items	218,854	1,518	69,760	860	290,992
Total Nonspendable Fund Balance	<u>2,388,852</u>	<u>1,518</u>	<u>69,760</u>	<u>472,276</u>	<u>2,932,406</u>
Restricted					
Capital Facility Fees	-	-	-	37,127,604	37,127,604
Cash with Fiscal Agent	347,088	2,511,990	810,899	5,403,360	9,073,337
Community Facilities District	-	-	-	20,056,528	20,056,528
Grants and Donations	-	-	1,152,682	5,473,867	6,626,549
Notes Receivable	-	-	70,179	34,146,971	34,217,150
Deposits	3,020,400	-	-	-	3,020,400
Traffic Fines	-	-	-	4,387,448	4,387,448
Total Restricted Fund Balance	<u>3,367,488</u>	<u>2,511,990</u>	<u>2,033,760</u>	<u>106,595,778</u>	<u>114,509,016</u>
Committed					
General Fund Set-Aside	18,397,817	-	-	-	18,397,817
Total Committed Fund Balance	<u>18,397,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,397,817</u>
Assigned					
Encumbrances - Vendor Contracts	349,022	-	-	-	349,022
Downtown Improvement District	-	-	-	40	40
Successor Redevelopment Housing Agency	-	-	-	671,627	671,627
Transportation Tax Funding	-	-	-	32,233,774	32,233,774
Strategic Planning and Development	-	-	-	1,401,605	1,401,605
Debt Service	-	-	-	1,283	1,283
Total Assigned Fund Balance	<u>349,022</u>	<u>-</u>	<u>-</u>	<u>34,308,329</u>	<u>34,657,351</u>
Unassigned - General Fund	6,395,913	-	-	-	6,395,913
Unassigned - Capital Project Funds	-	(4,375,860)	-	-	(4,375,860)
Total Unassigned Fund Balance	<u>6,395,913</u>	<u>(4,375,860)</u>	<u>-</u>	<u>-</u>	<u>2,020,053</u>
Total Fund Balance	<u>\$ 30,899,092</u>	<u>\$ (1,862,352)</u>	<u>\$ 2,103,520</u>	<u>\$ 141,376,383</u>	<u>\$ 172,516,643</u>

## I. DEFICIT FUND EQUITY

The Capital Grants Fund has a fund balance deficit of \$1,862,352, which will be recovered through future grant revenues and local matches covered through the General Fund or other City funds.

The Compost Fund has a net position deficit of \$7,259,780, due mainly to other post-employment benefit liability and net pension liability for the employees which reside in this fund, in addition to the pollution remediation liability reported for the Carpenter Landfill and Geer Road Landfill. The remediation funding has been incorporated into the utility fees related to garbage rates to cover the anticipated costs.

The Central Services Fund has a net position deficit of \$25,490, which will be recovered through future overhead charges.

The Employee Benefits Management Fund has a net position deficit of \$4,588,632. It exists partially because the total compensated absences and other post-employment benefit balance for the employees which reside in this fund previously classified as debt of the governmental funds was included in this fund at its inception several years ago, and has never been fully funded. The City is continuing to charge a higher benefit rate to help reduce this deficit. In addition, one-time revenues having to do with employee benefits are deposited to this fund.

The Insurance Fund has a net position deficit of \$9,434,056, due mainly to the recognition of settlements that were reached both in the current and prior fiscal year which have been reported as liabilities of the Liability Insurance Fund. Both settlements involved matters that represented city-wide policies and practices and therefore are allocable to all of the funds that make annual contributions to the liability insurance program. The liability insurance program will recover the full amount of the settlement from charges to the funds that participate in the liability insurance program over a period of 5 years based on this methodology being factored into the Internal Service Fund allocation that is distributed to City departments.

## J. INTERFUND TRANSFERS

The following is a schedule of interfund transfers.

Transfers (in) to:	Transfers from (out):									
	General Fund	Capital Grants	Operating Grants	Other Governmental	Water	Sewer	Bus	Other Enterprise Funds	Internal Service	Total
General Fund	-	-	-	\$ 886,713	\$ 65,000	\$ 68,640	\$ 629,432	-	-	\$ 1,649,785
Capital Grants	-	-	-	1,625,746	11,361	-	10,081	-	-	1,647,188
Operating Grants	\$ 45,212	-	-	34,472	-	-	-	-	\$ 136,262	215,946
Other Governmental	4,362,808	\$ 10	\$ 210,038	6,163,656	-	-	-	-	-	10,736,512
Water	-	-	-	105,013	-	-	-	\$ 55,680	2,244	162,937
Sewer	-	-	-	7,846	705,779	-	-	13,686	-	727,311
Bus	3,439	-	-	-	-	-	-	-	26,076	29,515
Other Enterprise	2,050,641	-	-	4,600	700,000	-	-	-	-	2,755,241
Internal Service	-	-	-	-	569,900	95,979	1,467,800	106,276	47,118	2,287,073
<b>Grand Total</b>	<b>\$6,462,100</b>	<b>\$ 10</b>	<b>\$ 210,038</b>	<b>\$8,828,046</b>	<b>\$2,052,040</b>	<b>\$ 164,619</b>	<b>\$2,107,313</b>	<b>\$ 175,642</b>	<b>\$ 211,700</b>	<b>\$20,211,508</b>

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

## K. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency (RDA) in accordance with the Bill as part of County Resolution number 12-7.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, as allowed under Section 34176(a) of the Bill, the City elected to retain the housing assets and functions previously performed by the former RDA. The assets and activities for the Successor Agency Housing fund continue to be reported in the City's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved RDA, are reported in the Successor Agency fiduciary fund (private-purpose trust fund) in the financial statements of the City.

State Senate Bill (SB) 107 was then passed in 2015. This bill included many significant changes to the operation of the Successor Agencies. Among these changes were the Annual Recognized Obligation Payment Schedule (ROPS), the Last and Final ROPS, a single Countywide Oversight Board, and the requirement for the County Auditor-Controller to review the obligation payments made by the Successor Agency. Some of these changes like the County Oversight Board and the requirement for the County Auditor-Controller to review the obligation payments made by the Successor Agency become effective July 1, 2018. The Modesto RDA Successor Agency has complied with all aspects of the changes that are specified in SB 107 and all ROPS starting with the ROPS submitted for the Fiscal Year 2019-20 period will now be submitted for approval by the Stanislaus Countywide Successor Agency Oversight Board.

As of June 30, 2021, one of the obligations under the Successor Agency trust is associated with the 10<sup>th</sup> Street Place Project:

Reimbursement agreement with the City totaling \$19,566,862. The original loan is from the City's 1998 Lease Revenue Bonds and the 2007 Lease Revenue Bonds that pertain to the Successor Agency. On August 28, 2008, the City refinanced the entire outstanding balance of the City's 1998 Lease Revenue Bonds and the 2007 Lease Revenue Bonds with variable rate 2008 Lease Revenue Bonds. The new balance has been provided as of June 30, 2021 that pertains to the Successor Agency. Additional information related to the 2008 Lease Revenue bonds is provided in Note II-C under the Lease Revenue Bonds – Governmental Activities section. \$ 13,556,050

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 693,100	\$ 2,596	\$ 695,696
2023	749,650	2,448	752,098
2024	807,650	2,295	809,945
2025	867,100	2,117	869,217
2026	939,600	1,932	941,532
2027-2031	5,550,600	6,455	5,557,055
2032-2034	3,948,350	949	3,949,299
Total	<u>\$ 13,556,050</u>	<u>\$ 18,792</u>	<u>\$ 13,574,842</u>

The reserves for the Reimbursement Agreement are recorded in the Public Financing Authority debt service fund for the City.

No-interest loan payable to the Stanislaus County Economic Development Bank loan program, for the purpose of funding the Kansas Avenue Business Park Project's Master Plan costs. The Agency has no obligation to begin repayment until the Project is completed and revenues begin.

Future debt service requirements to maturity for loans payable, as of June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	405,000	-	405,000
Total	<u>\$ 405,000</u>	<u>\$ -</u>	<u>\$ 405,000</u>

As of June 30, 2021, the Successor Agency was obligated for the following long-term debt in conjunction with the Community Center Project:

1993 Refunding Certificates of Participation; serial certificates with annual payments on November 1 in amounts ranging from \$1,090,000 to \$1,610,000 beginning in 2011 with a final maturity in November 2023.	\$ 4,600,000
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Future debt service requirements to maturity for the Certificates of Participation, as of June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,455,000	\$ 193,625	\$ 1,648,625
2023	1,535,000	118,875	1,653,875
2024	1,610,000	40,250	1,650,250
Total	<u>\$ 4,600,000</u>	<u>\$ 352,750</u>	<u>\$ 4,952,750</u>

The former RDA also has a few outstanding obligations related to reimbursements for parking expenses with Westland Development Company and payments to the Tenth Street Joint Power Agency for maintenance for common areas in the Tenth Street Place. These amounts are all reported in the Successor Agency in the Fiduciary financial statements under the Private-Purpose Trust Fund.

**L. NOTES AND LOANS RECEIVABLE**

The notes receivable in the Operating Grants Fund and Other Governmental Funds of \$59,597,508 net of \$188,086 allowance for doubtful accounts, consist of loans made for low-income housing rehabilitation, first-time homebuyers, property improvement and small business origination. The loans are collateralized by deeds of trust on the improved properties or business assets, and are generally bearing annual interest at 3 or 5 percent. Some direct loans may be subject to forgiveness, some are interest free and require no repayment of principal until the loans reach maturity, and some are subject to residual receipt payment agreements. Loan terms range from 5 to 55 years.

**M. APPROVED LOANS PAYABLE**

The approved loans payable in the Housing and Community Development Special Revenue Fund of \$59,630 consist of amounts being held for housing projects using funds provided by federal grants. This liability is expected to be liquidated in less than a year.

**N. POLLUTION REMEDIATION LIABILITY**

The City reported a liability in the Water and Sewer Enterprise funds, which represents the recoveries the City has collected less any remediation and legal costs incurred in pursuit of mitigating damages from the manufacturers of perchlorethylene, or PCE, a common chemical used in the dry-cleaning industry. This chemical has seeped into the groundwater through

sewer lines when improperly disposed, and threatens the City's groundwater supplies. Modesto has been proactive in attempting to recover damages and future cleanup costs from the dry cleaners and their insurers, and has also initiated litigation with the manufacturers. As of June 30, 2021, the City reported a pollution remediation liability from the Water and Sewer funds in the amount of \$6,063,821 and \$6,958,932, respectively.

The City also records a liability for two landfill pollution remediation efforts. For the Carpenter Road Landfill Fund, a liability was reported related to the Carpenter Road Landfill which is a 39-acre City owned landfill, located on both the east and west sides of Carpenter Road between Kenneth and Robertson Roads and the Tuolumne River, which was in operation from 1956 to 1968. This landfill precedes Subtitle-D and had no liner or leachate collection or removal system. In 1993, six methane gas monitoring wells were installed. In December 2005, there was a spike in the methane gas level at the landfill's Northern boundary. The State required the City to determine the cause and develop a mitigation and monitoring plan to ensure the landfill remained in compliance with the state statutes. In November of 2010, a Corrective Action Plan was proposed for the landfill involving a hydrogen releasing compound injection. In October 2014, a revised Corrective Action Plan and post closure maintenance plan was submitted to the Central Valley Regional Water Quality Control Board (CVRWQCB). In March 2015, a Cleanup and Abatement Order was issued to the City of Modesto for the Carpenter Road Landfill by the California Regional Water Quality Control Board to complete the clean closure correction action plan by January 15, 2017. Construction was to begin in Spring of 2017, however, due to flooding during the Winter of 2016, the groundwater level increased to a level too high to begin construction. The City submitted a request to the CVRWQCB to delay the project until Spring of 2018. The waters receded, the project went out to bid, and was awarded to Pacific States Environmental Contractors in August 2018. A permitting delay pushed the project start but as of September 2021, all waste has been moved from the eastern fill to the western fill, a storm water retention basin is complete, and final, small or cosmetic work is being completed. The City will submit completion and permitting paperwork when the project is complete. Monitoring continued throughout the project on functional gas and groundwater wells. As of June 30, 2021, the City reported a pollution remediation liability from Carpenter Road Landfill Fund in the amount of \$404,885.

For the Geer Road Landfill Mitigation Costs Fund, a liability was reported related to the Geer Road Landfill which is located in Stanislaus County, 8 miles southeast of the City of Modesto on the Tuolumne River. The site is jointly owned by Stanislaus County and the City of Modesto, but was formerly operated by Stanislaus County Department of Environmental Resources. It consists of 168 acres and accepted an estimated 4.5 million tons of waste from 1970 until July of 1990. This landfill precedes Subtitle-D and had no liner or leachate collection or removal system. The landfill closed in 1995 and a geomembrane liner was overlain by vegetative soil. Closure was approved in July 1996, and post closure and correction action requirements, as well as requirements to maintain financial assurances and conduct monitoring, were prescribed in the Waste Discharge Requirements (WDR's). Pollution was first identified in 1985 and since that time, several investigations were completed. In 1993, a groundwater extraction and treatment system of 12 extraction wells that pump water to a treatment plant, as well as 34 monitoring wells were installed. The treated water was then released to a leach field where it was recharged to groundwater. The landfill methane gas was monitored by 83 gas probes in and around the landfill connected to a landfill gas flare facility. To cover the potential liability, the City of Modesto established a fee within the Garbage rates to collect around \$200,000 annually. As of June 30, 2021, the City reported a pollution remediation liability from the Geer Road Landfill Mitigation Costs Fund in the amount of \$500,067.

## **O. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", the City recognized deferred outflows and inflows of resources in the entity-wide and governmental fund statements. These items are an acquisition of net position by the City that is applicable to a future reporting period. The General Fund, Capital Grants, Operating Grants, and other governmental funds reported deferred inflows of resources in the amount of \$54,243, \$23,779, \$39,931,433, and \$31,846,280 for unavailable resources related to note and grant receivables not meeting the period of availability. Previous financial reporting standards do not include guidance for reporting these in the financial statements, which are distinct from assets and liabilities. The items relate to outflows and inflows for net pension liability (Note III-G), OPEB liability (Note III-F), swap hedging (Note II-C) and loss on refunding.

## **III. OTHER INFORMATION**

### **A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for the following risks up to

the maximum amount per claim/occurrence as follows: workers' compensation \$750,000; liability \$1,000,000. The City purchases commercial insurance for property loss, airport liability, miscellaneous coverage, and for claims in excess of the preceding self-insured limits.

For liability claims, the City is one of twelve members of the Authority for California Cities Excess Liability (ACCEL) risk pool. This pool covers City claims between \$1,000,000 and \$5,000,000. The purpose of the pool is to spread the adverse effect of losses among the member agencies and leverages buying power in the commercial insurance market for excess coverage. The City contributes its pro rata share of anticipated losses to the pool. Should actual losses among participants be greater than anticipated, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess subject to the board approval and current conditions. Commercial insurance, covers claims over \$5,000,000 in two excess layers, of \$10,000,000 each and five additional layers of \$5,000,000 above \$45,000,000; for additional total coverage of \$50,000,000 per claim. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years. General liability claims are currently self-administered by risk management and litigated claims are defended by the City Attorney.

All operating funds participate in the program and make payments to the Insurance Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims, and to allow accrual of estimated incurred but not reported claims and allocated loss adjustment expenses. Insurance premiums to commercial insurers are also processed through the Insurance Fund. The total claims liability at June 30, 2021 is \$27,052,857 consisting of \$19,727,262 workers' compensation, \$7,081,699 general liability, \$205,480 dental, and \$38,416 vision. Workers' compensation and general liability claims liabilities are estimated on an actuarial basis, and are reported at their net present value using an expected future investment yield assumption of 3% (general liability) and 3% (workers' compensation). The undiscounted workers' compensation and liability claims totaled \$21,976,469 and \$7,556,423, respectively. The actuarial liability for workers' compensation and general liability were based on 2021 actuarial reports.

The current portion of the total liability claims, is estimated to be \$6,075,304 and the balance of \$20,977,353 is reported as a long-term liability on the statement of net position. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 2021 through June 30, 2021 were:

	Claims Liability July 1	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Claims Liability June 30
2019-20	\$23,630,560	\$13,337,342	(\$10,798,779)	\$26,169,123
2020-21	26,169,123	12,358,612	(9,774,878)	28,752,857

#### B. COMMUNITY FACILITIES DEBT WITHOUT CITY COMMITMENT

Special assessment and community facilities districts have been established in various areas of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements; these assessments are payable solely by the property owners over the term of the debt issued to finance the improvements. The City is not legally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment districts, nor is it obligated to advance City funds to repay this debt in the event of default by any property owners. The City functions as an agent for the property owners by collecting assessments and forwarding collections to trustees for payment to bond holders.

At June 30, 2021, the balance of these districts' outstanding debt was as follows:

Debt Issued	Outstanding Amount
Village One #2 Community Facilities District	\$ 25,120,000
Fairview Village Community Facilities District	\$ 3,690,000

#### C. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, health care, and multiple-family housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from developer payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in

any manner for repayment of the bonds. Accordingly, the bonds are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

As of June 30, 2021, there were two series of conduit revenue bonds outstanding. The aggregate principal amount payable for these multiple-family housing bond issues, issued between 1994 and 2002, was \$4,975,000.

#### D. COMMITMENTS AND CONTINGENCIES

The City is involved in litigation relating to tort claims, workers' compensation claims and other claims such as contract actions and inverse condemnation actions for which the City is self-insured, as disclosed in Note III-A. The City is a defendant in various matters of litigation.

The City receives funding from a number of federal, state and local grant programs, principally the Federal Highway Administration, Community Development Block Grants, and Federal Transit Administration grants. These programs are subject to financial and compliance review by the grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the basic financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

The City has both operating and capital commitments of \$47,442,041 for the City's governmental funds as of June 30, 2021 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$349,022 in the General Fund, \$247,677 in the Capital Grants Fund, \$98,374 in the Operating Grants Fund, and \$46,746,968 in other governmental funds. Commitments of the governmental funds are recorded in one of the classifications of fund balance based on the various funding restrictions on the balance sheet. As of June 30, 2021, there are major contracts for State Route 132 project (WSP USA Inc - \$8,953,768, Bay Cities Paving and Grading \$87,451,374), and Fleet Management (Harris Builders - \$4,063,948).

In the process of completing the work mandated by the Regional Water Control Board, additional waste was discovered in the southern wall of the bank of the Tuolumne River. The City provided this information to the Regional Water Control Board in May of 2021, they asked the City to submit a general plan and schedule to investigate and ultimately address the residual waste materials that were found in the area and appear to be on Army Corps lands. The City is planning to complete the report into the additional waste during calendar year 2022.

Numerous lawsuits are pending against the City. The City estimates that as of June 30, 2021, the amount of liability determined to be probable of occurrence is approximately \$1,700,000. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending bases are litigated. The estimated liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payout, and other economic and social factors.

Management has determined the events regarding the novel coronavirus require disclosure in accordance with the accounting standards. On March 4, 2020 Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. The ultimate impact of COVID-19 on operations and finances of the City remain unknown.

#### E. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

##### Tuolumne River Regional Park

The City participates with Stanislaus County and the City of Ceres in the operation and development of the Tuolumne River Regional Park (TRRP). The governing body consists of 2 members from the County Board of Supervisors, 2 members from the Modesto City Council, and 1 member from the Ceres City Council. The TRRP board prepares the annual budget, which must be approved by both cities' councils and the board of supervisors. Each participant has an equity interest in the capital assets of TRRP based on the percentage of cumulative contributions paid. The City's contribution to TRRP was \$169,919 for the fiscal year ended June 30, 2021. As of June 30, 2021, the City's investment in this joint venture was

\$1,561,831, and is included in governmental activities on the statement of net position. Financial statements for TRRP are prepared by the City of Modesto Finance Department.

#### City-County Capital Improvements and Financing Agency

The City and Stanislaus County formed the City-County Capital Improvements and Financing Agency (Agency) to provide for the design, construction, ownership, operation, management and financing of a City-County administration center located in Modesto's downtown redevelopment area. The governing body is a commission consisting of two (2) members of the City Council, two (2) members of the County Board of Supervisors, the County Chief Executive Officer, and the City Manager. The commission is responsible for developing an annual budget and determining the annual contribution rates, subject to approval by both the City and the County. The Stanislaus County Auditor Controller was the fiscal administrator during the construction phase, which was final at the end of June 2003. Starting in July 1, 2010 the County Auditor Controller became the fiscal administrator. For the fiscal year ended June 30, 2021, the City's payments to the Agency were \$1,149,855 for operations and capital reserve. The City's equity interest in the Agency is \$6,231,286, equal to its capital asset contributions to date net of depreciation, and is reported in governmental activities as investments in joint ventures in the statement of net position. Financial statements of the Agency are prepared by the Stanislaus County Auditor Controller office.

#### Stanislaus Waste-to-Energy Financing Agency

The City participates with Stanislaus County in the Stanislaus Waste-to-Energy Financing Agency (Agency). The Agency was created to provide financing for a facility that generates power from solid waste. The costs of operating the Agency, if any, are shared equally by the participants. The governing body consists of 2 members each from the County Board of Supervisors and the Modesto City Council. As of June 30, 2021, the City has no equity interest. Stanislaus County Treasurer's office prepares the Agency's financial statements.

#### Consolidated Emergency Dispatch Agency

The Modesto/Stanislaus Consolidated Emergency Dispatch Agency (the MSCEDA) was created on September 1, 1999, pursuant to a joint exercise of powers agreement between the City of Modesto and the County of Stanislaus. The MSCEDA is administered by a seven-member commission consisting of one member of the City Council, one member of the County Board of Supervisors, the County Chief Executive Officer, the City Manager, two members from the Dispatch Advisory Board, and one member from the City of Ceres' City Council or one member selected by the City Council of another participating City. The purpose of the MSCEDA is to consolidate the public safety communications system. The responsibilities of the agency include approval of annual budget, claims, liabilities, and the use of MSCEDA property as collateral. Each participant will contribute sufficient funds to pay for all costs and expenses associated with providing Emergency Dispatch Services. Upon termination of the agreement, assets will be distributed equally to the City and County, unless otherwise approved. The financial statements may be obtained by writing to the Modesto/Stanislaus Consolidated Emergency Dispatch, Office Manager, 3705 Oakdale Road, Modesto, California 95357.

#### North County Corridor Transportation Expressway Authority

On April 1, 2008, the City Council approved the establishment of a Joint Powers Authority between the County and the cities of Modesto, Oakdale and Riverbank to create the North County Corridor Transportation Expressway Authority (NCCTEA). The purpose of the Authority is to prepare, identify, and adopt a precise alignment, and prepare and certify environmental documents for a route to improve east/west traffic circulation in the County.

The intent of the NCCTEA is to provide a high capacity high speed east-west roadway to accommodate anticipated traffic growth, alleviate traffic on parallel roads, and to accommodate multi-modal travel. Under the terms of the agreement, the County will incur 40% of the costs of the project while each of the participating cities will be contributing 20%. The preliminary project development costs will be funded by State Transportation Program and Public Facility Fees. The NCCTEA Board of Directors will be comprised of two directors appointed by the County, and one director from each participating city. The board acts autonomously from the respective member agencies. The County of Stanislaus Public Works Director is designated as the NCCTEA's manager. Upon completion of the agreement, all assets will be distributed to the respective parties of the agreement as determined by the Board of Directors of the Authority. Financial statements may be obtained by writing to the County of Stanislaus, Public Works Department, 1716 Morgan Road, Modesto, CA 95358.

### Stanislaus Animal Services Agency

The Stanislaus Animal Services Agency (SASA) was created October 27, 2009, pursuant to a joint power's agreement among the cities of Ceres, Hughson, Modesto, Patterson, Waterford, and the County of Stanislaus. SASA is administered by a six-member board comprised of the City Manager of each partner agency, and the Chief Executive Officer of the County. The purpose of SASA is to operate a regional agency providing animal services to their respective communities. The SASA Executive Director is responsible for the annual budget which must be approved by the SASA Board of Directors. Each partner agency will contribute sufficient funds to pay for all costs approved in the budget to provide animal services. Upon termination of the agreement, assets will be distributed in accordance with the joint power's agreement. The financial statements may be obtained by writing to the Stanislaus Animal Services Agency, Executive Director, 3647 Cornucopia Way, Modesto, CA 95358.

### Regional Fire Training Center

The City has entered into an agreement with the Yosemite Community College District (YCCD) and Stanislaus County for the use and management of the regional fire training center at Modesto Junior College. The executive board consists of the YCCD Chancellor, the President of Modesto Junior College, the City Manager of the City of Modesto, and the Chief Executive Officer of Stanislaus County. The YCCD is responsible for accounting and for monitoring the center's budget. All three entities share in the operating costs. Initial construction costs were paid by the YCCD from borrowed funds, with the City and County reimbursing a portion of these costs in exchange for future use of the center. The City has paid its share of the construction costs in full. Title to the constructed asset is held by the YCCD; therefore, the City has no equity interest.

### North Valley Regional Recycled Water Program (NVRWP)

The City participates in the NVRWP, which was established by the City of Modesto and Del Puerto Water District in November 2014. The purpose of this agreement is to develop, construct, operate and maintain water supply facilities and service. Through this agreement all partner agencies will cooperate and collaborate to use their best efforts regarding the submission of grants, loans and other funding resources to cover future cost related to the design and construction on future projects. At the end of the fiscal year June 30, 2021, the City has no equity interest.

## F. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### I. Plan Description

In addition to the pension benefits described below in Note III-G, the City provides health care benefits to employees who retire from the City based on certain criteria related to their hired and retirement dates, their employee bargaining unit, and their grandfathered sick leave at retirement.

For employees that retire from the Modesto City Firefighters Association (MCFFA) bargaining unit, the City contributes toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. MCFFA is covered by a 1995 resolution with the California Public Employees' Retirement System defining the level of the City's contribution toward the cost of medical plan premiums for employees and retirees to be the minimum employer contribution (MEC). The MEC is \$143 in 2021, and \$149 in 2022.

All other full-time employees hired before January 1, 2011, are eligible to convert their accumulated grandfathered sick leave towards a contribution for future health care costs at retirement (sick leave conversion). The City has no obligation to pay health insurance allowance for retirees with no grandfathered sick leave. Any employee who retires after January 1, 2017, or retirees who elect the buy-out option, receive a contribution to a Retiree Health Savings Account. Those employees are then removed from the City's medical plan and ineligible to re-enroll.

The City has no assets accumulated in a qualified OPEB trust that meets the criteria as per GASB Statement No. 75.

### II. Employees Covered

As of June 30, 2020, actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Active employees	467
Inactive employees	351
Total	818

### III. Contributions

The OPEB plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by the agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the City's cash contributions were \$2,869,050 in payments made by the employer and no estimated subsidy was determined.

### IV. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

<b>Actuarial Assumptions:</b>	
Discount Rate	2.21% at Jun 30, 2020. 3.50% at Jun 30, 2019 (Bond Buyer 20-Bond Index)
General Inflation	2.5% annually
Salary Increases	3%
Medical Trend	5.8% for 2021, fluctuating to an ultimate rate of 4.0% in 2076
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2015

### V. Discount Rate

The discount rate used to measure the total OPEB liability was 2.21 percent. The projection of the cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB City's net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries based on the 'pay as you go' annual contributions.

### VI. Changes in the OPEB Liability

The change in the OPEB Liability is as follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 26,459,988
Changes recognized for the measurement period:	
Service cost	836,292
Interest	903,896
Differences between actual and expected experience	1,737,964
Changes of Assumptions	3,430,611
Benefit Payments	(2,941,351)
<b>Net Changes</b>	<b>3,967,412</b>
Balance at June 30, 2021 (Measurement Date June 30, 2020)	\$ 30,427,400

VII. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability of the Plan as of the measurement date, calculated using the discount rate of 2.21 percent, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.21 percent) or 1 percentage-point higher (3.21 percent) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>1.21%</b>	<b>2.21%</b>	<b>3.21%</b>
Net OPEB Liability	\$ 33,244,771	\$ 30,427,400	\$ 28,053,844

VIII. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB liability of the Plan if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	<b>1% Decrease</b>	<b>Current Trend</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 28,510,733	\$ 30,427,400	\$ 32,887,299

IV. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of the start of the measurement period (June 30, 2019), the OPEB liability was \$26,459,988

For the measurement period ended June 30, 2020 (the measurement date), the City incurred an OPEB expense of \$2,279,324.

Components of OPEB Expense	
Service cost	\$ 836,292
Interest	903,896
Expensed portion of current-period changes of assumptions or other inputs	539,136
OPEB Expense	\$ 2,279,324

As of June 30, 2021, the City has deferred outflows and deferred inflows of resources related to the Net OPEB liability as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement period	\$ 2,869,050	\$ -
Changes of assumptions or other inputs	3,294,595	1,223,707
Difference between actual and expected experience in the Total OPEB Liability	1,414,321	241,554
Total	\$ 7,577,966	\$ 1,465,261

The amounts above are net of outflows and inflows recognized in the 2019-2020 measurement period expense. The amounts above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred outflows/inflows of resources related to OPEB expense
2022	\$ 539,136
2023	539,136
2024	778,311
2025	1,030,947
2026	356,125
Thereafter	\$ -

## G. PENSION PLANS

### I. General Information about the Pension Plans

#### Plan Descriptions

All City of Modesto qualified employees are eligible to participate in the City of Modesto separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multi-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by the State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. This report is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute.

#### Benefits Provided

The benefits for the Plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

The Plans' provisions and benefits in effect at June 30, 2021 are summarized as follows:

#### Miscellaneous Plan:

	Prior to January 17, 2012	January 17, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.426 to 2.418%	1.092 to 2.418%	1.0 to 2.5%

#### Safety Plan:

	Prior to September 11, 2012	September 11, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 55	50 to 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4 to 3.0%	2.0 to 2.7%

## Contributions

Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2020 (the measurement date) for the Plans, the average active employee contribution rate was 7.00% of annual pay for Miscellaneous and 10.02% for Safety and the employer's contribution rate is 8.32% of annual payroll for Miscellaneous and 20.75% for Safety. The employee and employer contributions made for fiscal year June 30, 2021 was \$17.008 million for the Miscellaneous plan and \$25.225 million for the Safety plan. Employer contribution rates may change if plan contracts are amended.

## II. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures.

A summary of principal assumptions and methods used to determine the net pension liability is shown below:

	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.625%	2.625%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.25% <sup>(1)</sup>	7.25% <sup>(1)</sup>
Mortality Rate Table <sup>(2)</sup>	CalPERS Membership Data	CalPERS Membership Data
Post Retirement Benefit Increase	Up to 2.75%	Up to 2.75%

<sup>(1)</sup> Net of Pension Plan Investment and Administrative Expenses; includes inflation

<sup>(2)</sup> The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

## Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return CalPERS took, into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first

10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

The table below reflects long-term expected real rate of return by asset class as of the target allocation for the June 30, 2020 measurement date. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class<sup>(1)</sup></b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 – 10<sup>(2)</sup></b>	<b>Real Return Years 11+<sup>(3)</sup></b>
Global Equity	50.0%	4.8%	5.98%
Global Fixed Income	28.0	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.78	4.93
Liquidity	1.0	-	(0.92)

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period

### III. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 <sup>(1)</sup>	\$ 482,105,528	\$ 352,809,194	\$ 129,296,334
Changes Recognized for the Measurement Period:			
Service Cost	7,723,070	-	7,723,070
Interest on the Total Pension Liability	33,802,792	-	33,802,792
Differences between Expected and Actual Experience	(39,916)	-	(39,916)
Contributions - Employer	-	11,857,136	(11,857,136)
Contributions - Employees	-	3,522,762	(3,522,762)
Net Investment Income	-	17,470,077	(17,470,077)
Benefit Payments, including Refunds of Employee Contributions	(26,321,649)	(26,321,649)	-
Administrative Expense	-	(497,374)	497,374
Net Change during 2019-20	15,164,297	6,030,952	9,133,345
Balance at June 30, 2020 <sup>(1)</sup>	\$ 497,269,825	\$ 358,840,146	\$ 138,429,679

Safety Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 <sup>(1)</sup>	\$ 630,048,182	\$ 417,509,504	\$ 212,538,678
Changes Recognized for the Measurement Period:			
Service Cost	10,961,188	-	10,961,188
Interest on the Total Pension Liability	44,407,891	-	44,407,891
Differences between Expected and Actual Experience	2,147,305	-	2,147,305
Contributions - Employer	-	20,241,960	(20,241,960)
Contributions - Employees	-	3,770,808	(3,770,808)
Net Investment Income	-	20,809,917	(20,809,917)
Benefit Payments, including Refunds of Employee Contributions	(33,173,358)	(33,173,358)	-
Administrative Expense	-	(588,586)	588,586
Net Change during 2019-20	24,343,026	11,060,741	13,282,285
Balance at June 30, 2020 <sup>(1)</sup>	\$ 654,391,208	\$ 428,570,245	\$ 225,820,963

<sup>(1)</sup> The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Miscellaneous Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 200,363,668	\$ 138,429,679	\$ 86,912,305

Safety Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 312,573,086	\$ 225,820,963	\$ 153,066,587

#### IV. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2019), the net pension liability was \$129,296,334 for the Miscellaneous Plan and \$212,538,678 for the Safety Plan.

For the measurement period ended June 30, 2020 (the measurement date), the City incurred a pension expense of \$21,210,904 for the Miscellaneous Plan and \$36,964,908 for the Safety Plan.

As of June 30, 2020, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ -	\$ (468,666)
Differences between Expected and Actual Experiences	2,154,642	(28,511)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,484,666	
Contributions subsequent to the measurement date	12,406,705	-
<b>Total</b>	<b>\$ 17,046,013</b>	<b>\$ (497,177)</b>

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 810,179	\$ (695,520)
Differences between Expected and Actual Experiences	8,499,795	(75,677)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,945,367	
Contributions subsequent to the measurement date	18,745,767	-
<b>Total</b>	<b>\$ 31,001,108</b>	<b>\$ (771,197)</b>

The amounts above are net of outflows and inflows recognized in the 2019-2020 measurement period expense. The amounts above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in future pension expense (not including contributions subsequent to the measurement date) as follows:

Fiscal Year Ended June 30	Miscellaneous Plan	Safety Plan
2021	\$ (592,090)	\$ 2,491,015
2022	1,480,020	4,541,845
2023	1,791,432	2,619,726
2024	1,462,769	1,831,558
<b>Total</b>	<b>\$ 4,142,131</b>	<b>\$ 11,484,144</b>

#### H. DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2021, expenditures exceeded appropriations as follows:

##### **General Fund**

##### **Expenditures**

Parks and recreations – Administration	<u>Amount</u> \$46,310
Parks and recreations - Convention visitors bureau	21,431

##### **Operating Grants Special Revenue Fund**

##### **Expenditures**

Transfers out	<u>Amount</u> \$210,038
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##### **Housing and Community Development Special Revenue Fund**

##### **Expenditures**

Debt Service - Other	<u>Amount</u> \$863
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**Strategic Planning and Development Special Revenue Fund**

Transfers out

\$4,600

I. PRIOR YEAR ADJUSTMENTS

Governmental Activities

A prior year adjustment was made to the Governmental Activities to decrease the net position in the amount of \$3,413,406 to account for the correction to Construction Work In Progress (CWIP) from prior years.

A prior period adjustment was made to the Housing and Community Development to decrease fund balance in the amount of \$8,740 to correct loans booked in the prior year.

A prior period adjustment was made to the Operating Grants Fund to increase fund balance to account for a correction to prior year grant revenues in the amount of \$101,595.

A prior period adjustment was made to the Community Facility Districts to reduce fund balance to account for a correction made in the prior year revenues in the amount of \$77,716.

A prior year adjustment was made to Capital Facility Fees to reduce fund balance to account for a correction made in prior year overstating grant revenues in the amount of \$4,288,988.

Total Governmental Activities prior year adjustments: (\$7,687,255)

Business-type Activities

A prior year adjustment was made to Compost Fund to increase the liability associated with Carpenter Road Landfill Remediation in the amount of \$1,557,155, which was not recorded in the prior year.

Total Business-type Activities prior year adjustments: (\$1,557,155)

Total prior year adjustments: (\$9,244,410)

J. SUBSEQUENT EVENTS

On January 26, 2021, the Council authorized the Joint Powers Agency Agreement to form the Stanislaus Regional Transit Authority (StanRTA), which consolidated Stanislaus County's public transportation services and City of Modesto's public transportation services into one regionalized public transportation agency. This consolidation is effective as of July 1, 2021, and has the potential to enhance transit service, reduce overall costs of service and will lead to a more "easy to use" public transportation option for residents by having more coordinated transit services in the County.

REQUIRED SUPPLEMENTARY INFORMATION TAB



## **REQUIRED SUPPLEMENTARY INFORMATION**



**City of Modesto**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30th**  
**Last Ten Fiscal Years \***

Miscellaneous Plan

Measurement Period	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 7,723,070	\$ 7,583,252	\$ 7,365,767	\$ 6,992,542	\$ 6,092,179	\$ 5,768,082	\$ 6,400,912
Interest on Total Pension Liability	33,802,792	32,749,831	31,433,420	30,399,913	29,752,178	28,873,755	28,037,915
Changes of Assumptions	-	-	(2,477,241)	24,124,929	-	(6,709,358)	-
Difference Between Expected and Actual Experience	(39,916)	3,777,379	2,514,973	(1,956,450)	(2,005,545)	(3,177,191)	-
Benefit Payments, Including Refunds of Employee Contributions	(26,321,649)	(24,951,032)	(23,596,900)	(22,727,426)	(21,686,131)	(20,945,229)	(20,334,821)
Net Change in Total Pension Liability	15,164,297	19,159,430	15,240,019	36,833,508	12,152,681	3,810,059	14,104,006
Total Pension Liability – Beginning	482,105,528	462,946,098	447,706,079	410,872,571	398,719,890	394,909,831	380,805,825
Total Pension Liability – Ending (a)	\$ 497,269,825	\$ 482,105,528	\$ 462,946,098	\$ 447,706,079	\$ 410,872,571	\$ 398,719,890	\$ 394,909,831
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions – Employer	\$ 11,857,136	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179	\$ 4,654,055
Contributions – Employee	3,522,762	3,479,149	3,393,722	3,396,338	3,349,400	3,061,157	2,853,492
Net Investment Income	17,470,077	22,333,423	27,586,156	33,859,910	1,667,540	7,093,159	48,702,803
Benefit Payments, Including Refunds of Employee Contributions	(26,321,649)	(24,951,032)	(23,596,900)	(22,727,426)	(21,686,131)	(20,945,229)	(20,334,821)
Plan to Plan Resource Movement	-	-	(181)	505	(1,118)	(188)	-
Administrative Expense	(497,374)	(244,082)	(510,454)	(450,482)	(192,011)	(355,544)	-
Other Miscellaneous Income/(Expense) <sup>(1)</sup>	-	796	(969,360)	-	-	-	-
Net Change in Fiduciary Net Position	6,030,952	10,776,273	14,456,938	22,461,037	(9,941,962)	(5,514,466)	35,875,529
Plan Fiduciary Net Position – Beginning <sup>(2)</sup>	352,809,194	342,032,921	327,575,983	305,114,946	315,056,908	320,571,374	284,695,845
Plan Fiduciary Net Position – Ending (b)	358,840,146	352,809,194	342,032,921	327,575,983	305,114,946	315,056,908	320,571,374
Plan Net Pension Liability – Ending (a) - (b)	\$ 138,429,679	\$ 129,296,334	\$ 120,913,177	\$ 120,130,096	\$ 105,757,625	\$ 83,662,982	\$ 74,338,457
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.16%	73.18%	73.88%	73.17%	74.26%	79.02%	81.18%
Covered-Employee Payroll <sup>(3)</sup>	\$ 53,453,630	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776	\$ 44,125,963
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll <sup>(4)</sup>	258.97%	253.98%	242.74%	257.04%	233.94%	201.29%	168.47%

NOTE: There are no assets accumulated in a trust to pay related benefits for the pension plan.

(1) During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment.

(3) Includes one year's payroll growth using 2.75% payroll growth assumption for fiscal years ended June 30, 2018-19; 3% payroll growth assumption for fiscal years ended June 30, 2014-17.

\* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

**City of Modesto**  
**Schedule of Changes in the Net Pension Liability and Related Ratios (continued)**  
**For the Year Ended June 30th**  
**Last Ten Fiscal Years \***

<u>Safety Plan</u>	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Measurement Period							
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 10,961,188	\$ 9,984,949	\$ 9,648,518	\$ 9,298,519	\$ 8,193,455	\$ 8,633,865	\$ 8,970,868
Interest on Total Pension Liability	44,407,891	42,759,837	40,490,329	39,048,366	38,004,835	36,721,112	35,310,732
Changes of Assumptions	-	-	(2,434,317)	33,217,275	-	(9,188,394)	-
Difference Between Expected and Actual Experience	2,147,305	12,017,379	2,992,729	(3,102,753)	(2,184,871)	(849,707)	-
Benefit Payments, Including Refunds of Employee Contributions	(33,173,358)	(31,487,589)	(29,678,588)	(28,147,381)	(26,911,771)	(25,426,619)	(24,313,823)
Net Change in Total Pension Liability	24,343,026	33,274,576	21,018,671	50,314,026	17,101,648	9,890,257	19,967,777
Total Pension Liability – Beginning	630,048,182	596,773,606	575,754,935	525,440,909	508,339,261	498,449,004	478,481,227
Total Pension Liability – Ending (a)	\$ 654,391,208	\$ 630,048,182	\$ 596,773,606	\$ 575,754,935	\$ 525,440,909	\$ 508,339,261	\$ 498,449,004
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions – Employer	\$ 20,241,960	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,899	\$ 10,210,101	\$ 8,963,542
Contributions – Employee	3,770,808	3,402,676	3,400,369	3,165,011	2,962,566	2,800,626	2,939,117
Net Investment Income	20,809,917	26,427,421	32,428,941	39,443,735	1,898,536	8,215,387	56,385,743
Benefit Payments, Including Refunds of Employee Contributions	(33,173,358)	(31,487,589)	(29,678,588)	(28,147,381)	(26,911,771)	(25,426,619)	(24,313,823)
Plan to Plan Resource Movement	-	-	(1,551)	(505)	1,118	211	-
Administrative Expense	(588,586)	(287,372)	(597,550)	(526,677)	(224,190)	(414,089)	-
Other Miscellaneous Income/(Expense) <sup>(1)</sup>	-	936	(1,134,757)	-	-	-	-
Net Change in Fiduciary Net Position	11,060,741	14,814,220	19,226,594	26,746,243	(11,135,842)	(4,614,383)	43,974,579
Plan Fiduciary Net Position – Beginning <sup>(2)</sup>	417,509,504	402,695,284	383,468,690	356,722,447	367,858,289	372,472,672	328,498,093
Plan Fiduciary Net Position – Ending (b)	428,570,245	417,509,504	402,695,284	383,468,690	356,722,447	367,858,289	372,472,672
Plan Net Pension Liability – Ending (a) - (b)	\$ 225,820,963	\$ 212,538,678	\$ 194,078,322	\$ 192,286,245	\$ 168,718,462	\$ 140,480,972	\$ 125,976,332
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.49%	66.27%	67.48%	66.60%	67.89%	72.36%	74.73%
Covered-Employee Payroll <sup>(3)</sup>	\$ 38,050,908	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983	\$ 31,090,551
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll <sup>(3)</sup>	593.47%	628.45%	601.61%	628.21%	561.97%	450.22%	405.19%

NOTE: There are no assets accumulated in a trust to pay related benefits for the pension plan.

(1) During fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment.

(3) Includes one year's payroll growth using 2.75% payroll growth assumption for fiscal year ended 2018-19; 3% payroll growth assumption for fiscal years ended June 30, 2014-17.

\* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

**City of Modesto  
Schedule of Plan Contributions <sup>(1)</sup>  
Last Ten Fiscal Years\***

Miscellaneous Plan

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2015-2016
Actuarially Determined Contribution <sup>(2)</sup>	\$ 12,406,705	\$ 11,856,209	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179	\$ 6,920,358
Contributions in Relation to the Actuarially Determined Contribution <sup>(2)</sup>	(12,406,705)	(11,856,209)	(10,158,019)	(8,553,955)	(8,382,192)	(6,920,358)	(5,632,179)	(6,920,358)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>(3)</sup>	\$ 53,688,651	\$ 53,453,630	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776	\$ 45,207,621
Contributions as a Percentage of Covered-Employee Payroll <sup>(3)</sup>	23.11%	22.18%	19.95%	17.17%	17.94%	15.31%	13.55%	15.31%

Safety Plan

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2015-2016
Actuarially Determined Contribution <sup>(2)</sup>	\$ 18,745,767	\$ 18,940,948	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,899	\$ 10,210,101	\$ 11,137,899
Contributions in Relation to the Actuarially Determined Contribution <sup>(2)</sup>	(18,745,767)	(18,940,948)	(16,758,148)	(14,809,730)	(12,812,060)	(11,137,899)	(10,210,101)	(11,137,899)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>(3)</sup>	\$ 36,973,443	\$ 38,050,908	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983	\$ 30,022,552
Contributions as a Percentage of Covered-Employee Payroll <sup>(3)</sup>	50.70%	49.78%	49.55%	45.91%	41.86%	37.10%	32.72%	37.10%

NOTE: There are no assets accumulated in a trust to pay related benefits for the pension plan.

(1) Historical information is required only for fiscal year for which GASB 68 is applicable. As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Includes one year's payroll growth using 2.75% payroll assumption for fiscal year 2017- 18; 3% payroll assumption for fiscal years ended June 30, 2014-17.

\* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

**City of Modesto**  
**Schedule of Changes in the OPEB Liability and Related Ratios**  
**Last Ten Fiscal Years\***

<i>Measurement Period</i>	FY 2020-2021 June 30, 2020	FY 2019-2020 June 30, 2019	FY 2018-2019 June 30, 2018	FY 2017-2018 June 30, 2017
Total OPEB liability				
Service cost	\$ 836,292	\$ 811,934	\$ 963,490	\$ 935,427
Interest	903,896	1,013,863	1,038,035	892,669
Differences between expected and actual experience	1,737,964	-	(468,009)	-
Changes of assumptions	3,430,611	754,247	(1,306,633)	(1,600,635)
Benefit payments	(2,941,351)	(3,012,214)	(2,733,246)	(2,430,468)
Net change in total OPEB liability	3,967,412	(432,170)	(2,506,363)	(2,203,007)
Total OPEB liability - beginning	26,459,988	26,892,158	29,398,521	31,601,528
Total OPEB liability - ending (a)	<u>\$ 30,427,400</u>	<u>\$ 26,459,988</u>	<u>\$ 26,892,158</u>	<u>\$ 29,398,521</u>
Covered-Employee Payroll	\$ 54,106,179	\$ 50,879,818	\$ 49,647,245	\$ 55,637,076
Total OPEB liability as a Percentage of Covered-Employee Payroll	56.24%	52.00%	54.17%	52.84%

Notes to Schedule:

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

\*Amounts presented above were determined as of June 30th. Additional years will be presented as they become available.

\*There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

**City of Modesto  
Schedule of Contributions  
Last Ten Fiscal Years \***

Fiscal Year	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Actuarially Determined Contribution (ADC)	\$ 2,869,050	\$ 3,569,890	\$ 3,012,214	\$ 2,733,246	\$ 2,430,468	\$ 2,527,076
Contributions in Relation to the ADC	(2,869,050)	(3,569,890)	(3,012,214)	(2,733,246)	(2,430,468)	(2,527,076)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Covered-Employee Payroll	 \$ 52,545,565	 \$ 54,106,179	 \$ 50,879,818	 \$ 49,647,245	 \$ 55,637,076	 \$ 49,552,706
Contributions as a Percentage of Covered-Employee Payroll	5.46%	6.60%	5.92%	5.51%	4.37%	5.10%

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019-20 were as follows for June 30, 2019 measurement date actuarial valuations.

Actuarial Cost Method	Entry Age Normal – Couldn't find this in the 2020 report
Discount Rate	2.21% at June 30, 2020 (Bond Buyer 20-Bond Index). 3.5% at June 30, 2019 (Bond Buyer 20-Bond Index).
Asset Valuation Method	N/A – Couldn't find this in the 2020 report
General Inflation	2.5% annually
Salary Increases	3%
 Trend	 5.8% for 2021, fluctuating to an ultimate rate of 4.0% in 2076
Retirement Age	CalPERS 1997-2015 Experience Study
Mortality	CalPERS 1997-2015 Experience Study Post-retirement mortality projected fully generational with MW Scale 2020

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b><u>TAXES</u></b>				
Utility users tax	\$ 20,794,217	\$ 20,794,217	\$ 20,764,694	\$ (29,523)
Property tax	18,689,404	18,689,404	19,106,595	417,191
Transient occupancy tax	2,132,145	2,132,145	2,850,229	718,084
Franchise tax	5,113,484	5,113,484	5,236,611	123,127
Cannabis tax	3,572,448	3,572,448	5,379,402	1,806,954
Business license tax	12,746,581	12,746,581	13,899,554	1,152,973
<b>Total taxes</b>	<b>63,048,279</b>	<b>63,048,279</b>	<b>67,237,085</b>	<b>4,188,806</b>
<b><u>LICENSES AND PERMITS</u></b>	<b>423,906</b>	<b>423,906</b>	<b>418,648</b>	<b>(5,258)</b>
<b><u>INTERGOVERNMENTAL</u></b>				
Sales tax	30,684,925	30,684,925	35,670,236	4,985,311
Motor vehicle license fees	18,781,466	18,781,466	18,855,971	74,505
State	975,000	975,000	1,112,921	137,921
County	8,425	8,425	354,734	346,309
Federal	-	-	6,539	6,539
Other intergovernmental	7,815,189	7,815,189	8,474,876	659,687
<b>Total intergovernmental</b>	<b>58,265,005</b>	<b>58,265,005</b>	<b>64,475,277</b>	<b>6,210,272</b>
<b><u>CHARGES FOR SERVICES</u></b>				
General government	2,732,473	2,659,704	2,246,036	(413,668)
Community development	2,874,129	2,874,129	2,664,462	(209,667)
Parks and recreation	2,413,102	2,413,102	1,624,268	(788,834)
Public safety	3,281,285	4,654,047	4,492,153	(161,894)
Indirect cost recovery	3,976,619	3,976,619	3,976,618	(1)
<b>Total charges for services</b>	<b>15,277,608</b>	<b>16,577,601</b>	<b>15,003,537</b>	<b>(1,574,064)</b>
<b><u>SPECIAL ASSESSMENT</u></b>	<b>341,000</b>	<b>341,000</b>	<b>314,521</b>	<b>(26,479)</b>
<b><u>INTEREST AND RENT</u></b>	<b>765,329</b>	<b>765,329</b>	<b>330,952</b>	<b>(434,377)</b>
<b><u>NET INCREASE IN FAIR VALUE OF INVESTMENTS</u></b>	<b>(134)</b>	<b>(134)</b>	<b>(181,655)</b>	<b>(181,521)</b>
<b><u>FINES AND FORFEITS</u></b>	<b>809,615</b>	<b>871,685</b>	<b>478,113</b>	<b>(393,572)</b>
<b><u>MISCELLANEOUS</u></b>				
Mandated cost recovery	150,000	150,000	119,476	(30,524)
Other	701,525	766,525	752,552	(13,973)
<b>Total miscellaneous</b>	<b>851,525</b>	<b>916,525</b>	<b>872,028</b>	<b>(44,497)</b>
<b>Total revenues</b>	<b>\$ 139,782,133</b>	<b>\$ 141,209,196</b>	<b>\$ 148,948,506</b>	<b>\$ 7,739,310</b>

The notes to required supplementary information are an integral part of this schedule.

**CITY OF MODESTO**  
**SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET**  
**(GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 449,789	\$ 446,823	\$ 435,914	\$ 10,909
Human resources	1,641,213	1,617,623	1,537,764	79,859
City manager	2,677,308	2,650,590	2,588,121	62,469
City attorney	1,947,814	1,915,854	1,432,405	483,449
City clerk/auditor	1,628,395	1,554,975	974,967	580,008
Finance	5,488,451	5,434,079	4,998,793	435,286
Other	425,000	433,050	389,450	43,600
Total general government	<u>14,257,970</u>	<u>14,052,994</u>	<u>12,357,414</u>	<u>1,695,580</u>
Community development:	<u>6,209,125</u>	<u>6,197,684</u>	<u>5,947,091</u>	<u>250,593</u>
Parks and recreation:				
Administration	711,027	713,595	759,905	(46,310)
Planning and development	770,075	750,239	739,543	10,696
Convention visitors bureau	391,168	372,654	394,085	(21,431)
Operations service and maintenance	6,026,476	6,345,542	5,651,692	693,850
Facilities	1,600,004	1,594,330	1,365,453	228,877
Recreation division	3,065,747	2,746,656	2,653,642	93,014
Total parks and recreation	<u>12,564,497</u>	<u>12,523,016</u>	<u>11,564,320</u>	<u>958,696</u>
Public safety:				
Fire protection	39,400,557	42,941,355	42,691,215	250,140
Police protection	70,045,049	66,409,174	65,827,465	581,709
Total public safety	<u>109,445,606</u>	<u>109,350,529</u>	<u>108,518,680</u>	<u>831,849</u>
Debt service:				
Principal retirement	478,078	478,078	478,077	1
Interest expenditures	127,467	127,467	127,466	1
Total debt service	<u>605,545</u>	<u>605,545</u>	<u>605,543</u>	<u>2</u>
 Total expenditures	 <u>\$ 143,082,743</u>	 <u>\$ 142,729,768</u>	 <u>\$ 138,993,048</u>	 <u>\$ 3,736,720</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

The notes to required supplementary information are an integral part of this schedule.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - OPERATING GRANTS SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 380,000	\$ 380,000	\$ 365,151	\$ (14,849)
Licenses and permits	50,000	50,000	44,799	(5,201)
Intergovernmental	9,763,007	19,534,297	5,680,942	(13,853,355)
Charges for services	5,162,805	5,199,225	4,197,090	(1,002,135)
Special assessments	68,974	68,974	64,342	(4,632)
Interest and rent	51,962	71,084	75,605	4,521
Net (decrease) in fair value of investments	-	-	(39,791)	(39,791)
Donations and contributions	395,183	399,423	370,958	(28,465)
Miscellaneous	136,262	237,449	224,205	(13,244)
<b>Total revenues</b>	<b>16,008,193</b>	<b>25,940,452</b>	<b>10,983,301</b>	<b>(14,957,151)</b>
<b>EXPENDITURES:</b>				
General government	272,860	273,085	223,830	49,255
Community development	5,291,653	12,557,261	6,189,457	6,367,804
Highways and streets	107,952	90,442	51,287	39,155
Public works	3,607,397	3,781,752	2,635,907	1,145,845
Parks and recreation	2,342,086	2,455,667	50,582	2,405,085
Public safety	4,505,665	8,222,519	1,420,397	6,802,122
<b>Total expenditures</b>	<b>16,127,613</b>	<b>27,380,726</b>	<b>10,571,460</b>	<b>16,809,266</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(119,420)</b>	<b>(1,440,274)</b>	<b>411,841</b>	<b>1,852,115</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	136,262	175,591	215,946	40,355
Transfers out	-	-	(210,038)	(210,038)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>136,262</b>	<b>175,591</b>	<b>5,908</b>	<b>(169,683)</b>
<b>CHANGES IN FUND BALANCE</b>	<b>16,842</b>	<b>(1,264,683)</b>	<b>417,749</b>	<b>1,682,432</b>
FUND BALANCE, JULY 1	1,584,176	1,584,176	1,584,176	-
PRIOR PERIOD ADJUSTMENT	-	-	101,595	101,595
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,601,018</b>	<b>\$ 319,493</b>	<b>\$ 2,103,520</b>	<b>\$ 1,784,027</b>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

The notes to required supplementary information are an integral part of this schedule.

**CITY OF MODESTO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2021**

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules for operating, non-capital multi-year, and capital budgets:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them for operating, non-capital multi-year and capital projects.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on all proposed budgets to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through adoption of a resolution. This budget is reported as the Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the Adopted Budget may be authorized, as follows:
  - a. Authority to approve any adjustment in the amount of \$25,000 or less is delegated to the Budget Manager.
  - b. Authority to approve any adjustment in an amount between \$25,000 and \$50,000 is delegated to the City Manager.
  - c. Authority for any budget adjustment more than \$50,000 is delegated to the parties described below:
    - a. Items requiring City Council Action – appropriation of undesignated reserves; appropriation of new revenues; transfers of appropriations between funds (inter-fund transfers); creation of inter-fund loans; creation of, or increase in, any multi-year appropriation.
    - b. Items delegated to the City Manager – transfer appropriations between departments within a fund; changing any capital equipment appropriation; appropriation of reserves for litigation on a case-by-case basis; appropriation of developer payments not previously budgeted.
    - c. Items delegated to the Budget Manager – appropriation of grant interest; revise the allocation of Internal Service Fund charges between departments provided that the total allocated amount does not increase; changing any capital improvement budget line item appropriation; make technical budget corrections to implement the intent of Council approved actions and resolutions.
    - d. Items delegated to Department Directors – transfer appropriations within a department, within a single fund.
5. Formal budgetary accounting is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue, enterprise and internal service funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on this basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.

**CITY OF MODESTO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2021**

7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the appropriation unit level. The legal appropriation basis is at the level called "department". A "department" for legal appropriation purposes may be a single organization (e.g., City Attorney), or an entire department having multiple organizations within the same fund (e.g., Operations and Maintenance), or an entire fund (e.g., Downtown Improvement District). All departments and funds completed the year within their legally authorized expenditures. Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded to reserve the applicable appropriations, is employed in the governmental funds.

The City does, however, honor the contracts represented by year-end encumbrances and the subsequent year's appropriations provide authority to complete these transactions.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



## Nonmajor Governmental Funds

### Nonmajor Special Revenue Funds

Special Revenue Funds include funds which are restricted as to use by the Federal or State governments, and special purpose funds established by authority of the City Council. Nonmajor Special Revenue Funds include:

**HOUSING AND COMMUNITY DEVELOPMENT FUND** – To account for various grant funds received from Federal Community Development Block grants to be used for a variety of housing related programs primarily targeted at low-income housing. Additionally, this fund accounts for the City's revolving fund, which provides housing loans to low-income individuals and accounts for emergency shelter grant revenue received from the Housing and Urban Development Department.

**LOCAL TRANSPORTATION FUND** – To account for revenues and expenditures of Local Transportation Fund allocations for streets, urban trails, and non-motorized facilities. Allocations for the City bus system are reported directly in the Bus Enterprise Fund.

**TRAFFIC SAFETY FUND** – To account for receipts and expenditures of traffic safety fines.

**DOWNTOWN IMPROVEMENT DISTRICT FUND** – To account for the fiscal activities of Business Improvement Area A and Downtown Modesto Community Benefit District of the City of Modesto.

**STRATEGIC PLANNING AND DEVELOPMENT FUND** – Established to provide a funding source for future village planning, general plan update and other large expenses related to planning and development. This fund was originally financed with an apportionment of the PERS rebate related to AB702. Subsequent funding has been provided by transfers from the General Fund. Future funding will be provided by fees imposed on private development.

**TRANSPORTATION SPECIAL TAX FUND** – To account for state-collected, locally-shared gas tax, 25 year, ½ cent sales tax Measure L, SB-1 (Road Repair and Accountability Act of 2017) monies. This fund may be used for all road and traffic purposes including construction, purchase of rights-of-way, and maintenance.

### Nonmajor Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Nonmajor Capital Projects Funds include:

**SPECIAL FUND FOR CAPITAL OUTLAYS** – To account for capital outlay authorized by the City Council. No monies placed in this fund are to be disbursed except for this purpose unless authorized by a vote of the people.

**PARKS FUND** – To account for a discretionary transfer of General Fund property tax revenue to provide for the development of parks within the City, as directed by the City Council.

**SECURITIES FOR FUTURE IMPROVEMENTS FUND** – To account for the collection of impact fees for approved development projects to construct facilities needed for future development.

**COMMUNITY FACILITIES DISTRICTS FUND** – To account for the construction of public improvements deemed to benefit properties against which special taxes are levied.

**SUCCESSOR REDEVELOPMENT HOUSING AGENCY FUND** – To account for the housing redevelopment capital projects financed by the Successor Redevelopment Housing Agency of the City of Modesto.

## **Nonmajor Capital Projects Funds (continued)**

**CAPITAL FACILITY FEES FUND** – To account for special fees collected on new building permits to be used for construction of certain growth related projects. The fees and related capital projects include police department expansion, fire department expansion, expressway loop, street lights, street improvements, parks, new traffic signals, City downtown, wastewater treatment, public transportation, and air quality improvements.

**TRANSPORTATION SPECIAL TAX CAPITAL FUND** – To account for receipts and disbursements of Governmental Fund capital projects funded through locally-shared gas tax, 25 year, ½ cent sales tax Measure L, and SB-1 (Road Repair and Accountability Act of 2017) monies.

## **Nonmajor Debt Service Fund**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Nonmajor Debt Service Fund includes:

**PUBLIC FINANCING AUTHORITY FUND** – To account for payment of debt issued to finance projects authorized by the Modesto Public Financing Authority.

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**CITY OF MODESTO**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	Special Revenue					
	Housing and Community Development	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 872,179	\$ 1,465,624	\$ -	\$ 28,694	\$ 1,661,169	\$ 27,697,208
Receivables:						
Accounts, net	61,330	-	-	-	-	1,864
Interest	37	2,454	-	37	3,332	54,559
Taxes	-	-	-	41,941	-	383,882
Advances to other funds	-	-	-	-	-	471,416
Due from governments	3,636,349	189,759	7,645	-	-	4,770,242
Prepaid expenditures	15	-	-	-	183	-
Restricted assets:						
Cash and cash equivalents	-	1,774	4,360,470	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-	-	-
Due from governments	-	-	26,978	-	-	-
Notes receivable, net	57,316,329	-	-	-	-	-
<b>Total assets</b>	<b>\$ 61,886,239</b>	<b>\$ 1,659,611</b>	<b>\$ 4,395,093</b>	<b>\$ 70,672</b>	<b>\$ 1,664,684</b>	<b>\$ 33,379,171</b>
<b><u>LIABILITIES AND AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ 694,407	\$ -	\$ 3,907	\$ 70,632	\$ 51,373	\$ 555,708
Accrued salaries and benefits	16,069	-	3,738	-	-	113,514
Interest payable	-	-	-	-	-	-
Approved loans payable	59,630	-	-	-	-	-
Unearned revenue	-	1,657,835	-	-	-	-
Payable from restricted assets:						
Refundable deposits	-	-	-	-	-	-
Advances from other funds	-	-	-	-	211,523	-
<b>Total liabilities</b>	<b>770,106</b>	<b>1,657,835</b>	<b>7,645</b>	<b>70,632</b>	<b>262,896</b>	<b>669,222</b>
Deferred inflows of resources:						
Unavailable revenue	26,969,147	-	-	-	-	4,759
Fund balances:						
Nonspendable	15	-	-	-	183	471,416
Restricted	34,146,971	1,776	4,387,448	-	-	-
Assigned	-	-	-	40	1,401,605	32,233,774
<b>Total fund balances</b>	<b>34,146,986</b>	<b>1,776</b>	<b>4,387,448</b>	<b>40</b>	<b>1,401,788</b>	<b>32,705,190</b>
<b>Total liabilities and fund balances</b>	<b>\$ 61,886,239</b>	<b>\$ 1,659,611</b>	<b>\$ 4,395,093</b>	<b>\$ 70,672</b>	<b>\$ 1,664,684</b>	<b>\$ 33,379,171</b>

Capital Projects

Special Fund for Capital Outlays	Parks	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
\$ 384,905	\$ (832)	\$ -	\$ 156,755	\$ -	\$ 336,160	\$ 267,645
-	-	-	-	-	28,619	-
5,991	2,182	-	39,543	-	72,072	-
-	-	-	82,846	-	-	-
-	-	-	544	1,192,004	5,514,785	-
-	-	-	322	-	-	-
2,520,494	646,341	73,604	20,026,528	-	37,105,104	-
-	-	-	-	-	22,500	-
-	-	-	-	-	-	-
-	-	-	-	2,211,000	-	-
<u>\$ 2,911,390</u>	<u>\$ 647,691</u>	<u>\$ 73,604</u>	<u>\$ 20,306,538</u>	<u>\$ 3,403,004</u>	<u>\$ 43,079,240</u>	<u>\$ 267,645</u>
\$ 29,320	\$ 518	\$ -	\$ 181,387	\$ 373,650	\$ 363,941	\$ 267,645
-	-	-	16,180	-	-	-
-	-	-	-	1,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	25,555	-	-	-
361,576	-	-	-	145,727	699,567	-
<u>390,896</u>	<u>518</u>	<u>-</u>	<u>223,122</u>	<u>520,377</u>	<u>1,063,508</u>	<u>267,645</u>
-	-	-	56,566	-	4,815,808	-
-	-	-	322	-	-	-
2,520,494	647,173	73,604	20,026,528	2,211,000	37,199,924	-
-	-	-	-	671,627	-	-
<u>2,520,494</u>	<u>647,173</u>	<u>73,604</u>	<u>20,026,850</u>	<u>2,882,627</u>	<u>37,199,924</u>	<u>-</u>
<u>\$ 2,911,390</u>	<u>\$ 647,691</u>	<u>\$ 73,604</u>	<u>\$ 20,306,538</u>	<u>\$ 3,403,004</u>	<u>\$ 43,079,240</u>	<u>\$ 267,645</u>

**CITY OF MODESTO**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**JUNE 30, 2021**

	Debt Service Public Financing Authority	Total
<u>ASSETS</u>		
Cash and cash equivalents	\$ 9,963	\$ 32,879,470
Receivables:		
Accounts, net	-	91,813
Interest	-	180,207
Taxes	-	508,669
Advances to other funds	-	471,416
Due from governments	-	15,311,328
Prepaid expenditures	340	860
Restricted assets:		
Cash and cash equivalents	-	64,734,315
Cash and cash equivalents with fiscal agent	5,380,860	5,403,360
Due from governments	-	26,978
Notes receivable, net	-	59,527,329
	<u>\$ 5,391,163</u>	<u>\$ 179,135,745</u>
Total assets		
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 8,680	\$ 2,601,168
Accrued salaries and benefits	-	149,501
Interest payable	-	1,000
Approved loans payable	-	59,630
Unearned revenue	-	1,657,835
Payable from restricted assets:		
Refundable deposits	-	25,555
Advances from other funds	-	1,418,393
	<u>8,680</u>	<u>5,913,082</u>
Total liabilities		
Deferred inflows of resources:		
Unavailable revenue	-	31,846,280
	<u>-</u>	<u>31,846,280</u>
Fund balances:		
Nonspendable	340	472,276
Restricted	5,380,860	106,595,778
Assigned	1,283	34,308,329
	<u>5,382,483</u>	<u>141,376,383</u>
Total fund balances		
	<u>\$ 5,391,163</u>	<u>\$ 179,135,745</u>
Total liabilities and fund balances		

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**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Special Revenue					
	Housing and Community Development	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 225,051	\$ -	\$ 1,515,252
Licenses and permits	-	-	-	-	-	10,246
Intergovernmental	6,519,253	286,083	-	-	70,000	22,501,876
Charges for services	1,026,430	-	332,259	-	162,428	1,115,835
Special assessments levied	-	-	-	692,372	-	-
Interest and rent	-	11,897	-	544	14,917	236,501
Net increase (decrease) in fair value of investments	-	(12,094)	-	(471)	(15,017)	(227,607)
Fines and forfeits	-	-	181,997	-	-	-
Miscellaneous	245	14	-	-	100,000	163,389
Total revenues	<u>7,545,928</u>	<u>285,900</u>	<u>514,256</u>	<u>917,496</u>	<u>332,328</u>	<u>25,315,492</u>
<b>EXPENDITURES:</b>						
Current:						
Community development	4,237,659	-	-	1,097,368	201,717	-
Highways and streets	-	-	-	-	-	10,780,721
Parks and recreation	-	330	-	-	-	-
Public safety	-	-	354,980	-	-	-
Capital outlay:						
Community development	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	240,338
Parks and recreation	-	-	-	-	-	-
Public safety	-	-	49,733	-	-	-
Debt service:						
Principal retirement	283,000	-	-	-	-	-
Interest	36,441	-	-	-	-	-
Other	863	-	-	-	-	-
Total expenditures	<u>4,557,963</u>	<u>330</u>	<u>404,713</u>	<u>1,097,368</u>	<u>201,717</u>	<u>11,021,059</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,987,965</u>	<u>285,570</u>	<u>109,543</u>	<u>(179,872)</u>	<u>130,611</u>	<u>14,294,433</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	1,578,898
Transfers out	(180,733)	(285,568)	-	-	(4,600)	(7,294,925)
Sale of assets	-	-	-	-	-	1,934
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(180,733)</u>	<u>(285,568)</u>	<u>-</u>	<u>-</u>	<u>(4,600)</u>	<u>(5,714,093)</u>
<b>CHANGES IN FUND BALANCES</b>	2,807,232	2	109,543	(179,872)	126,011	8,580,340
FUND BALANCES, JULY 1	31,348,494	1,774	4,277,905	179,912	1,275,777	24,124,850
PRIOR PERIOD ADJUSTMENTS	(8,740)	-	-	-	-	-
FUND BALANCES, JUNE 30	<u>\$ 34,146,986</u>	<u>\$ 1,776</u>	<u>\$ 4,387,448</u>	<u>\$ 40</u>	<u>\$ 1,401,788</u>	<u>\$ 32,705,190</u>

Capital Projects						
Special Fund for Capital Outlays	Parks	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	14,628	-	793,741	-
-	4,930	-	884,585	-	5,651,748	-
-	-	-	3,780,515	-	-	-
28,752	34,760	7,208	191,346	54,321	324,368	-
(28,676)	(6,291)	-	(171,439)	4,986	(307,658)	-
-	-	-	-	-	-	-
-	20,859	-	84	-	11,960	-
<u>76</u>	<u>54,258</u>	<u>7,208</u>	<u>4,699,719</u>	<u>59,307</u>	<u>6,474,159</u>	<u>-</u>
31,679	-	-	2,908,973	-	165,173	4,198,156
-	-	-	-	-	5,957	-
-	19,608	-	-	-	-	-
53,823	-	-	-	-	-	-
-	-	-	-	-	84,731	1,026,731
-	-	-	857	-	1,695,402	769,770
-	459	-	-	-	24,885	12,684
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>85,502</u>	<u>20,067</u>	<u>-</u>	<u>2,909,830</u>	<u>-</u>	<u>1,976,148</u>	<u>6,007,341</u>
(85,426)	34,191	7,208	1,789,889	59,307	4,498,011	(6,007,341)
210,038	41,000	-	-	-	117,276	6,007,597
(485,885)	(103,474)	-	(38,783)	-	(434,078)	-
-	-	-	-	-	-	-
<u>(275,847)</u>	<u>(62,474)</u>	<u>-</u>	<u>(38,783)</u>	<u>-</u>	<u>(316,802)</u>	<u>6,007,597</u>
(361,273)	(28,283)	7,208	1,751,106	59,307	4,181,209	256
2,881,767	675,456	66,396	18,353,460	2,823,320	37,307,703	(256)
-	-	-	(77,716)	-	(4,288,988)	-
<u>\$ 2,520,494</u>	<u>\$ 647,173</u>	<u>\$ 73,604</u>	<u>\$ 20,026,850</u>	<u>\$ 2,882,627</u>	<u>\$ 37,199,924</u>	<u>\$ -</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Debt Service</u>	
	Public	
	Financing	
	Authority	<u>Total</u>
REVENUES:		
Taxes	\$ -	\$ 1,740,303
Licenses and permits	-	10,246
Intergovernmental	1,232,298	31,417,879
Charges for services	-	9,178,215
Special assessments levied	-	4,472,887
Interest and rent	9,515	914,129
Net increase (decrease) in fair value of investments	-	(764,267)
Fines and forfeits	-	181,997
Miscellaneous	-	296,551
Total revenues	<u>1,241,813</u>	<u>47,447,940</u>
EXPENDITURES:		
Current:		
Community development	-	12,840,725
Highways and streets	-	10,786,678
Parks and recreation	-	19,938
Public safety	-	408,803
Capital outlay:		
Community development	-	1,111,462
Highways and streets	-	2,706,367
Parks and recreation	-	38,028
Public safety	-	49,733
Debt service:		
Principal retirement	2,170,000	2,453,000
Interest	1,822,020	1,858,461
Other	50,951	51,814
Total expenditures	<u>4,042,971</u>	<u>32,325,009</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,801,158)</u>	<u>15,122,931</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,781,703	10,736,512
Transfers out	-	(8,828,046)
Sale of assets	-	1,934
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,781,703</u>	<u>1,910,400</u>
CHANGES IN FUND BALANCES	(19,455)	17,033,331
FUND BALANCES, JULY 1	5,401,938	128,718,496
PRIOR PERIOD ADJUSTMENTS	-	(4,375,444)
FUND BALANCES, JUNE 30	<u>\$ 5,382,483</u>	<u>\$ 141,376,383</u>

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - HOUSING**  
**AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental - federal grants	\$ 7,076,777	\$ 20,171,909	\$ 6,519,253	\$ (13,652,656)
Charges for services	1,366,867	1,366,867	1,026,430	(340,437)
Miscellaneous	-	-	245	245
Total revenues	<u>8,443,644</u>	<u>21,538,776</u>	<u>7,545,928</u>	<u>(13,992,848)</u>
<b>EXPENDITURES:</b>				
Community development	18,528,567	22,825,641	4,237,659	18,587,982
Debt service:				
Principal retirement	283,000	283,000	283,000	-
Interest	36,442	36,442	36,441	1
Other	-	-	863	(863)
Total expenditures	<u>18,848,009</u>	<u>23,145,083</u>	<u>4,557,963</u>	<u>18,587,120</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,404,365)</u>	<u>(1,606,307)</u>	<u>2,987,965</u>	<u>4,594,272</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(348,000)	(180,733)	167,267
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(348,000)</u>	<u>(180,733)</u>	<u>167,267</u>
CHANGES IN FUND BALANCE	(10,404,365)	(1,954,307)	2,807,232	4,761,539
FUND BALANCE, JULY 1	31,348,494	31,348,494	31,348,494	-
PRIOR PERIOD ADJUSTMENT	-	-	(8,740)	(8,740)
FUND BALANCE, JUNE 30	<u>\$ 20,944,129</u>	<u>\$ 29,394,187</u>	<u>\$ 34,146,986</u>	<u>\$ 4,752,799</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - LOCAL TRANSPORTATION SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 286,083	\$ 286,083
Interest and rent	-	-	11,897	11,897
Net (decrease) in fair value of investments	-	-	(12,094)	(12,094)
Miscellaneous	-	-	14	14
Total revenues	<u>-</u>	<u>-</u>	<u>285,900</u>	<u>285,900</u>
<b>EXPENDITURES:</b>				
Parks and recreation	-	-	330	330
Total expenditures	<u>-</u>	<u>-</u>	<u>330</u>	<u>330</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>285,570</u>	<u>285,570</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(1,086,114)	(285,568)	800,546
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,086,114)</u>	<u>(285,568)</u>	<u>800,546</u>
CHANGES IN FUND BALANCE	-	(1,086,114)	2	1,086,116
FUND BALANCE, JULY 1	<u>1,774</u>	<u>1,774</u>	<u>1,774</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 1,774</u>	<u>\$ (1,084,340)</u>	<u>\$ 1,776</u>	<u>\$ 1,086,116</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - TRAFFIC SAFETY SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 220,000	\$ 220,000	\$ 332,259	\$ 112,259
Fines and forfeits	300,000	300,000	181,997	(118,003)
Total revenues	<u>520,000</u>	<u>520,000</u>	<u>514,256</u>	<u>(5,744)</u>
EXPENDITURES:				
Public safety	621,697	628,781	404,713	224,068
Total expenditures	<u>621,697</u>	<u>628,781</u>	<u>404,713</u>	<u>224,068</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(101,697)</u>	<u>(108,781)</u>	<u>109,543</u>	<u>218,324</u>
CHANGES IN FUND BALANCE	(101,697)	(108,781)	109,543	218,324
FUND BALANCE, JULY 1	<u>4,277,905</u>	<u>4,277,905</u>	<u>4,277,905</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 4,176,208</u>	<u>\$ 4,169,124</u>	<u>\$ 4,387,448</u>	<u>\$ 218,324</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - DOWNTOWN**  
**IMPROVEMENT DISTRICT SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 136,500	\$ 136,500	\$ 225,051	\$ 88,551
Special assessments levied	-	780,150	692,372	(87,778)
Interest and rent	-	-	544	544
Net (decrease) in fair value of investments	-	-	(471)	(471)
Total revenues	<u>136,500</u>	<u>916,650</u>	<u>917,496</u>	<u>846</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	153,715	1,168,672	1,097,368	71,304
Total expenditures	<u>153,715</u>	<u>1,168,672</u>	<u>1,097,368</u>	<u>71,304</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(17,215)</u>	<u>(252,022)</u>	<u>(179,872)</u>	<u>72,150</u>
<b>CHANGES IN FUND BALANCE</b>	(17,215)	(252,022)	(179,872)	72,150
<b>FUND BALANCE, JULY 1</b>	<u>179,912</u>	<u>179,912</u>	<u>179,912</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT), JUNE 30</b>	<u>\$ 162,697</u>	<u>\$ (72,110)</u>	<u>\$ 40</u>	<u>\$ 72,150</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - STRATEGIC**  
**PLANNING AND DEVELOPMENT SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 520,000	\$ 520,000	\$ 162,428	\$ (357,572)
Intergovernmental	-	70,000	70,000	-
Interest and rent	-	-	14,917	14,917
Net (decrease) in fair value of investments	-	-	(15,017)	(15,017)
Miscellaneous	-	-	100,000	100,000
Total revenues	<u>520,000</u>	<u>590,000</u>	<u>332,328</u>	<u>(257,672)</u>
<b>EXPENDITURES:</b>				
Community development	996,530	1,062,625	201,717	860,908
Total expenditures	<u>996,530</u>	<u>1,062,625</u>	<u>201,717</u>	<u>860,908</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(476,530)</u>	<u>(472,625)</u>	<u>130,611</u>	<u>603,236</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	405,181	405,181	-	(405,181)
Transfers out	-	-	(4,600)	(4,600)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>405,181</u>	<u>405,181</u>	<u>(4,600)</u>	<u>(409,781)</u>
<b>CHANGES IN FUND BALANCE</b>	(71,349)	(67,444)	126,011	193,455
<b>FUND BALANCE, JULY 1</b>	<u>1,275,777</u>	<u>1,275,777</u>	<u>1,275,777</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 1,204,428</u>	<u>\$ 1,208,333</u>	<u>\$ 1,401,788</u>	<u>\$ 193,455</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**TRANSPORTATION SPECIAL TAX REVENUE FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State	\$ 18,603,188	\$ 23,056,288	\$ 22,501,876	\$ (554,412)
Taxes	1,100,000	1,100,000	1,515,252	415,252
Licenses and permits	-	-	10,246	10,246
Charges for services	793,031	793,031	1,115,835	322,804
Interest and rent	-	-	236,501	236,501
Net (decrease) in fair value of investments	-	-	(227,607)	(227,607)
Miscellaneous	30,000	30,000	163,389	133,389
Total revenues	<u>20,526,219</u>	<u>24,979,319</u>	<u>25,315,492</u>	<u>336,173</u>
<b>EXPENDITURES:</b>				
Current:				
Highway and streets	12,219,389	13,397,706	11,021,059	2,376,647
Total expenditures	<u>12,219,389</u>	<u>13,397,706</u>	<u>11,021,059</u>	<u>2,376,647</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>8,306,830</u>	<u>11,581,613</u>	<u>14,294,433</u>	<u>2,712,820</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	298,002	1,540,105	1,578,898	38,793
Transfers out	-	(8,100,129)	(7,294,925)	805,204
Sale of assets	-	-	1,934	1,934
TOTAL OTHER FINANCING SOURCES (USES)	<u>298,002</u>	<u>(6,560,024)</u>	<u>(5,714,093)</u>	<u>845,931</u>
<b>CHANGES IN FUND BALANCE</b>	8,604,832	5,021,589	8,580,340	3,558,751
FUND BALANCE, JULY 1	<u>24,124,850</u>	<u>24,124,850</u>	<u>24,124,850</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 32,729,682</u>	<u>\$ 29,146,439</u>	<u>\$ 32,705,190</u>	<u>\$ 3,558,751</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

## **Nonmajor Enterprise Funds**

Enterprise Funds are established to account for activities that render services on a user-charge basis to the general public. Nonmajor Enterprise Funds include:

**PARKING FUND** – Revenues in this fund consist of charges for off-street parking and the downtown parking garage, as well as in-lieu parking fees. The revenue is used to develop and maintain parking facilities.

**STORM DRAIN FUND** – To account for storm drain improvements, operations and maintenance. The activities of the fund include street cleaning, rock well maintenance, and compliance with Federal and State water quality standards on storm water discharge.

**COMPOST FUND** – To account for tip fees charged at the City's composting facility for processing various compostable materials and the sale of compost product. Excess revenues over expenses are set aside to protect the enterprise against market fluctuations, and to provide for capital improvements to the facility infrastructure.

**AIRPORT FUND** – To account for all airport operations as stipulated in the City-Stanislaus County agreement of January 1968. Amounts received from the Federal government, State of California, and Stanislaus County, requiring matching amounts by the City, are recorded in this fund and are appropriated to finance approved capital projects.

**GOLF FUND** – Revenues in this fund consist of fees charged for using the City's golf courses. The revenue is used to improve, operate, and maintain golf courses.

**COMMUNITY CENTER FUND** – Accounted for in this fund are all amounts collected for the purpose of operating and maintaining the Modesto Centre Plaza Community Center. Revenues include room rental, catering fees, ticket sales, and other charges for using the center.

**ABATEMENT AND PUBLIC NUISANCE FUND** – To account the activity for expenses and recovery for the cost for both dangerous and unsafe building and property abatements.

**CITY OF MODESTO**  
**COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2021**

	Parking	Storm Drain	Compost
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 288,426	\$ 12,001,208	\$ 3,761,162
Receivables:			
Accounts	14,060	15,865	1,153,968
Interest	495	23,289	11,411
Utilities, net	-	547,121	460,294
Prepaid expenses	15	26,759	-
Due from governments	101,250	4,538	136,621
Inventories	-	-	-
	404,246	12,618,780	5,523,456
Noncurrent assets:			
Advances to other funds	-	-	-
Restricted cash and cash equivalents	-	-	461,199
Restricted cash and cash equivalents with fiscal agent	-	-	-
Land and construction in progress	3,131,803	1,060,067	1,140,000
Other capital assets, net of accumulated depreciation	3,392,525	13,799,142	956,892
Total noncurrent assets	6,524,328	14,859,209	2,558,091
	6,928,574	27,477,989	8,081,547
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	47,380	44,704	250,800
Deferred pensions	102,636	135,894	1,024,235
Total deferred outflows of resources	150,016	180,598	1,275,035
Total assets and deferred outflows of resources	\$ 7,078,590	\$ 27,658,587	\$ 9,356,582
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 20,651	\$ 186,399	\$ 872,447
Accrued salaries and benefits	16,811	9,998	106,132
Interest payable	-	-	1,446
Unearned revenue	303	-	11,619
Current portion - long-term debt	-	-	-
Total current liabilities	37,765	196,397	991,644
Noncurrent liabilities:			
Pollution remediation liability	-	-	904,952
Obligation under capital leases	-	-	-
Certificates of participation	-	-	-
Advances from other funds	-	1,324,704	5,092,400
Net OPEB liability	201,190	190,715	1,213,263
Net pension liability	833,500	1,103,586	8,317,758
Total noncurrent liabilities	1,034,690	2,619,005	15,528,373
	1,072,455	2,815,402	16,520,017
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	9,886	6,912	66,472
Deferred pensions	2,994	3,964	29,873
Total deferred inflows of resources	12,880	10,876	96,345
<u>NET POSITION</u>			
Net investment in capital assets	6,524,328	14,859,209	2,096,892
Unrestricted	(531,073)	9,973,100	(9,356,672)
	5,993,255	24,832,309	(7,259,780)
Total liabilities, deferred inflows of resources, and net position	\$ 7,078,590	\$ 27,658,587	\$ 9,356,582

Airport	Golf	Community Center	Abatement and Public Nuisance	Total
\$ 1,800,936	\$ 1	\$ 2	\$ 258,473	\$ 18,110,208
28,252	326,134	-	14,001	1,552,280
3,505	1,278	-	450	40,428
-	-	-	-	1,007,415
307	-	274	-	27,355
239,001	-	1,354,952	-	1,836,362
-	2,394	-	-	2,394
<u>2,072,001</u>	<u>329,807</u>	<u>1,355,228</u>	<u>272,924</u>	<u>22,576,442</u>
-	-	-	211,523	211,523
-	-	-	-	461,199
-	658,049	-	-	658,049
1,352,141	623,575	3,667,020	-	10,974,606
9,180,071	968,373	2,615,564	-	30,912,567
<u>10,532,212</u>	<u>2,249,997</u>	<u>6,282,584</u>	<u>211,523</u>	<u>43,217,944</u>
<u>12,604,213</u>	<u>2,579,804</u>	<u>7,637,812</u>	<u>484,447</u>	<u>65,794,386</u>
-	-	33,214	-	376,098
108,920	-	99,401	-	1,471,086
108,920	-	132,615	-	1,847,184
<u>\$ 12,713,133</u>	<u>\$ 2,579,804</u>	<u>\$ 7,770,427</u>	<u>\$ 484,447</u>	<u>\$ 67,641,570</u>
\$ 10,268	\$ 59,608	\$ 83,666	\$ -	\$ 1,233,039
10,130	21,452	14,402	-	178,925
-	11,456	-	-	12,902
5,472	645,544	-	10,510	673,448
-	437,274	-	-	437,274
<u>25,870</u>	<u>1,175,334</u>	<u>98,068</u>	<u>10,510</u>	<u>2,535,588</u>
-	-	-	-	904,952
-	3,351	-	-	3,351
-	940,000	-	-	940,000
-	-	-	-	6,417,104
-	-	160,727	-	1,765,895
884,533	-	807,227	-	11,946,604
<u>884,533</u>	<u>943,351</u>	<u>967,954</u>	<u>-</u>	<u>21,977,906</u>
<u>910,403</u>	<u>2,118,685</u>	<u>1,066,022</u>	<u>10,510</u>	<u>24,513,494</u>
-	-	7,935	-	91,205
3,177	-	2,899	-	42,907
<u>3,177</u>	<u>-</u>	<u>10,834</u>	<u>-</u>	<u>134,112</u>
10,532,212	869,372	6,282,584	-	41,164,597
1,267,341	(408,253)	410,987	473,937	1,829,367
<u>11,799,553</u>	<u>461,119</u>	<u>6,693,571</u>	<u>473,937</u>	<u>42,993,964</u>
<u>\$ 12,713,133</u>	<u>\$ 2,579,804</u>	<u>\$ 7,770,427</u>	<u>\$ 484,447</u>	<u>\$ 67,641,570</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 974,315	\$ 6,163,870	\$ 10,317,925
Miscellaneous	<u>9,038</u>	<u>3,621</u>	<u>115,833</u>
Total operating revenues	<u>983,353</u>	<u>6,167,491</u>	<u>10,433,758</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	398,008	346,819	3,621,227
Contractual services	189,978	228,784	3,133,556
Utilities	135,592	23,214	27,837
Maintenance and supplies	153,046	2,356,867	1,778,021
Insurance	83,870	12,337	264,478
Employee benefits	221,383	90,173	2,597,580
Administration services	127,161	2,188,429	498,260
Allocated indirect administrative costs	41,273	159,339	287,603
Depreciation	<u>385,570</u>	<u>411,197</u>	<u>101,610</u>
Total operating expenses	<u>1,735,881</u>	<u>5,817,159</u>	<u>12,310,172</u>
OPERATING INCOME (LOSS)	<u>(752,528)</u>	<u>350,332</u>	<u>(1,876,414)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Gain on disposition of capital assets	2,517	15,865	5,657
Operating grants	-	-	372,418
Tax revenue	-	-	-
Tax expense	(20,774)	-	-
Interest income	2,568	101,553	36,461
Net (decrease) in fair value of investments	(3,238)	(105,737)	(50,376)
Rental income	-	-	-
Interest expense	-	-	-
Trustee fees	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(18,927)</u>	<u>11,681</u>	<u>364,160</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(771,455)	362,013	(1,512,254)
Transfers in	70,000	700,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>(175,642)</u>
CHANGES IN NET POSITION	(701,455)	1,062,013	(1,687,896)
NET POSITION (DEFICIT), JULY 1	6,694,710	23,770,296	(4,014,729)
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>(1,557,155)</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 5,993,255</u>	<u>\$ 24,832,309</u>	<u>\$ (7,259,780)</u>

	Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$	655,640	\$ 2,632,491	\$ 36,476	\$ 115,999	\$ 20,896,716
	<u>31,283</u>	<u>710,536</u>	<u>438</u>	<u>-</u>	<u>870,749</u>
	<u>686,923</u>	<u>3,343,027</u>	<u>36,914</u>	<u>115,999</u>	<u>21,767,465</u>
	370,290	-	517,710	-	5,254,054
	55,376	2,334,801	293,182	58,438	6,294,115
	108,325	53,589	263,358	-	611,915
	175,324	235,011	162,148	-	4,860,417
	34,135	26,335	34,328	-	455,483
	330,764	-	232,746	-	3,472,646
	41,307	73,818	436,039	27,963	3,392,977
	25,151	48,756	-	-	562,122
	<u>785,141</u>	<u>51,655</u>	<u>65,149</u>	<u>-</u>	<u>1,800,322</u>
	<u>1,925,813</u>	<u>2,823,965</u>	<u>2,004,660</u>	<u>86,401</u>	<u>26,704,051</u>
	<u>(1,238,890)</u>	<u>519,062</u>	<u>(1,967,746)</u>	<u>29,598</u>	<u>(4,936,586)</u>
	9,500	-	-	-	33,539
	316,977	-	595,782	-	1,285,177
	266,272	-	-	-	266,272
	-	(122)	-	-	(20,896)
	15,202	-	-	1,819	157,603
	(14,224)	(2,479)	-	(1,892)	(177,946)
	159,505	103,049	723,150	-	985,704
	-	(115,674)	-	-	(115,674)
	<u>-</u>	<u>(5,955)</u>	<u>-</u>	<u>-</u>	<u>(5,955)</u>
	<u>753,232</u>	<u>(21,181)</u>	<u>1,318,932</u>	<u>(73)</u>	<u>2,407,824</u>
	(485,658)	497,881	(648,814)	29,525	(2,528,762)
	-	193,756	1,786,885	4,600	2,755,241
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,642)</u>
	(485,658)	691,637	1,138,071	34,125	50,837
	12,285,211	(230,518)	5,555,500	439,812	44,500,282
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,557,155)</u>
\$	<u><u>11,799,553</u></u>	<u><u>461,119</u></u>	<u><u>6,693,571</u></u>	<u><u>473,937</u></u>	<u><u>42,993,964</u></u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 886,434	\$ 6,104,061	\$ 10,347,688
Payments to suppliers	(398,088)	(1,485,613)	(7,110,420)
Payments to employees	(575,208)	(595,736)	(5,623,082)
Payments for interfund services used	(363,646)	(3,722,870)	(3,029,855)
Net cash provided (used) by operating activities	<u>(450,508)</u>	<u>299,842</u>	<u>(5,415,669)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants received	-	-	372,418
Taxes received	-	-	-
Transfers in	70,000	700,000	-
Transfers out	-	-	(175,642)
Advances from/to other funds	-	-	1,105,800
Net cash provided (used) by noncapital financing activities	<u>70,000</u>	<u>700,000</u>	<u>1,302,576</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	-	(332,368)	(12,578)
Proceeds from sale of capital assets	2,518	15,865	5,657
Principal repayments	-	-	-
Interest paid	-	-	-
Trustee fees	-	-	-
Net cash provided (used) by capital and related financing activities	<u>2,518</u>	<u>(316,503)</u>	<u>(6,921)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	4,301	115,371	54,695
Net (decrease) in the fair value of investments	(3,238)	(105,737)	(50,376)
Rental income received	-	-	-
Net cash provided (used) by investing activities	<u>1,063</u>	<u>9,634</u>	<u>4,319</u>
Net increase (decrease) in cash and cash equivalents	(376,927)	692,973	(4,115,695)
CASH AND CASH EQUIVALENTS, JULY 1	665,353	11,308,235	8,338,056
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 288,426</u>	<u>\$ 12,001,208</u>	<u>\$ 4,222,361</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>			
Cash and cash equivalents	\$ 288,426	\$ 12,001,208	\$ 3,761,162
Restricted cash and cash equivalents	-	-	461,199
Restricted cash and cash equivalents with fiscal agent	-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 288,426</u>	<u>\$ 12,001,208</u>	<u>\$ 4,222,361</u>

Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$ 668,367	\$ 3,469,306	\$ 36,914	\$ 116,877	\$ 21,629,647
(220,703)	(2,714,445)	(1,902,336)	(58,443)	(13,890,048)
(570,347)	7,710	(690,192)	-	(8,046,855)
(228,181)	(181,287)	(551,022)	(27,963)	(8,104,824)
<u>(350,864)</u>	<u>581,284</u>	<u>(3,106,636)</u>	<u>30,471</u>	<u>(8,412,080)</u>
316,977	-	595,782	-	1,285,177
266,272	-	-	-	266,272
-	193,756	1,786,885	4,600	2,755,241
-	-	-	-	(175,642)
-	-	-	52,881	1,158,681
<u>583,249</u>	<u>193,756</u>	<u>2,382,667</u>	<u>57,481</u>	<u>5,289,729</u>
-	(347,834)	-	-	(692,780)
9,500	-	-	-	33,540
-	(412,202)	-	-	(412,202)
-	(147,151)	-	-	(147,151)
-	(5,955)	-	-	(5,955)
<u>9,500</u>	<u>(913,142)</u>	<u>-</u>	<u>-</u>	<u>(1,224,548)</u>
16,309	26,355	-	2,069	219,100
(14,224)	(2,479)	-	(1,892)	(177,946)
159,505	103,049	723,150	-	985,704
<u>161,590</u>	<u>126,925</u>	<u>723,150</u>	<u>177</u>	<u>1,026,858</u>
403,475	(11,177)	(819)	88,129	(3,320,041)
1,397,461	669,227	821	170,344	22,549,497
<u>\$ 1,800,936</u>	<u>\$ 658,050</u>	<u>\$ 2</u>	<u>\$ 258,473</u>	<u>\$ 19,229,456</u>
\$ 1,800,936	\$ 1	\$ 2	\$ 258,473	\$ 18,110,208
-	-	-	-	461,199
-	658,049	-	-	658,049
<u>\$ 1,800,936</u>	<u>\$ 658,050</u>	<u>\$ 2</u>	<u>\$ 258,473</u>	<u>\$ 19,229,456</u>

(continued)

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS (Continued)**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Parking	Storm Drain	Compost
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (752,528)	\$ 350,332	\$ (1,876,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	385,570	411,197	101,610
Taxes paid	(20,774)	-	-
Change in assets, liabilities, and deferred resources:			
(Increase) decrease in accounts receivable	(96,919)	(15,490)	58,050
(Increase) in utilities receivable	-	(47,730)	(78,113)
Increase (decrease) in due from other governments	-	-	3,480
(Increase) decrease in accounts payable	(10,025)	(215,539)	(2,885,824)
Decrease in inventories	-	-	-
(Increase) decrease in prepaid expenses	(15)	(23,974)	1,302
Increase (decrease) in accrued salaries and benefits	5,360	(6,382)	(1,028)
Increase (decrease) in net pension liability and deferred resources	42,025	(148,740)	616,030
(Increase) in net OPEB liability and deferred resources	(3,505)	(3,622)	(1,576,432)
Increase pollution remediation	-	-	291,157
Increase (decrease) in unearned revenue	303	(210)	(69,487)
Total adjustments	302,020	(50,490)	(3,539,255)
Net cash provided (used) by operating activities	\$ (450,508)	\$ 299,842	\$ (5,415,669)

Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$ (1,238,890)	\$ 519,062	\$ (1,967,746)	\$ 29,598	\$ (4,936,586)
785,141	51,655	65,149	-	1,800,322
-	(122)	-	-	(20,896)
20,218	(1,514)	63,304	58,988	86,637
-	-	-	-	(125,843)
(39,932)	-	(1,354,952)	-	(1,391,404)
(9,184)	(185,687)	27,636	(5)	(3,278,628)
-	49,130	-	-	49,130
(82)	13,257	(274)	-	(9,786)
(494)	7,710	2,176	-	7,342
131,201	-	65,628	-	706,144
-	-	(7,540)	-	(1,591,099)
-	-	-	-	291,157
1,158	127,793	(17)	(58,110)	1,430
888,026	62,222	(1,138,890)	873	(3,475,494)
\$ (350,864)	\$ 581,284	\$ (3,106,636)	\$ 30,471	\$ (8,412,080)

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## Internal Service Funds

Internal Service Funds are established to finance and account for services and commodities furnished by a designated agency of a governmental unit to other departments of the same governmental unit. Since the services and commodities are supplied exclusively to other departments of a governmental jurisdiction, they are distinguishable from those public services which are rendered to the public in general and which are accounted for in General, Special Revenue, or Enterprise Funds. Internal Service Funds include:

**FLEET MANAGEMENT FUND** – To provide the maintenance necessary for the City's equipment pool, which serves the needs of all City departments.

**CENTRAL SERVICES FUND** – To provide office supplies, various maintenance and construction materials, records storage, and mail services to all City departments.

**INFORMATION AND TECHNOLOGY SERVICES FUND** – To finance and account for the replacement, upgrade and maintenance of the City's network and technology infrastructure, and to develop and implement a coordinated city-wide information technology plan.

**INSURANCE FUND** – To finance and account for the City's insurance and risk management programs.

**EMPLOYEE BENEFITS MANAGEMENT FUND** – To account for all compensated absences and other employee benefits. Insurance benefits for current employees are accounted for in the Insurance Fund.

**BUILDING SERVICES FUND** – To account for the true cost of occupying and maintaining office space, to better reflect the value of that space, and to accumulate amounts for future building repair costs.

**CITY OF MODESTO**  
**COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS**  
**JUNE 30, 2021**

	Fleet Management	Central Services	Information & Technology Services
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 7,379,596	\$ 1	\$ 3,060,749
Receivables:			
Accounts	10,725	-	-
Interest	13,240	137	6,357
Prepaid expenses	684	-	17,345
Due from governments	4,906	-	327
Inventories	-	1,346,332	-
Total current assets	7,409,151	1,346,470	3,084,778
Noncurrent assets:			
Restricted assets - cash and cash equivalents	-	-	-
Restricted assets - cash from fiscal agent	-	-	-
Land and construction in progress	4,108,925	-	2,158,379
Other capital assets, net of accumulated depreciation	9,203,384	-	2,282,315
Total noncurrent assets	13,312,309	-	4,440,694
 Total assets	 20,721,460	 1,346,470	 7,525,472
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	124,890	-	298,828
Deferred pensions	522,357	-	905,810
Total deferred outflows of resources	647,247	-	1,204,638
 Total assets and deferred outflows of resources	 \$ 21,368,707	 \$ 1,346,470	 \$ 8,730,110
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 679,303	\$ 1,360,680	\$ 89,914
Accrued salaries and benefits	54,858	8,554	95,269
Interest payable	-	2,726	-
Unearned revenue	-	-	-
Current portion - compensated absences	-	-	-
Current portion - claims liability	-	-	-
Total current liabilities	734,161	1,371,960	185,183
Noncurrent liabilities:			
Compensated absences	-	-	-
Claims liability	-	-	-
Net OPEB liability	693,075	-	1,098,879
Net pension liability	4,242,028	-	7,356,029
Total noncurrent liabilities	4,935,103	-	8,454,908
 Total liabilities	 5,669,264	 1,371,960	 8,640,091
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	42,247	-	51,194
Deferred pensions	15,235	-	26,420
Total deferred inflows of resources	57,482	-	77,614
<u>NET POSITION</u>			
Net investment in capital assets	13,312,309	-	4,440,694
Restricted	-	-	-
Unrestricted	2,329,652	(25,490)	(4,428,289)
Total net position	15,641,961	(25,490)	12,405
 Total liabilities, deferred inflows of resources, and net position	 \$ 21,368,707	 \$ 1,346,470	 \$ 8,730,110

	Insurance	Employee Benefits Management	Building Services	Total
\$	18,002,332	\$ -	\$ 1,443,762	\$ 29,886,440
	1,399,487	57,480	4,940	1,472,632
	60,703	16,489	2,279	99,205
	567	2,063	1,070	21,729
	379	27	23,263	28,902
	-	-	-	1,346,332
	<u>19,463,468</u>	<u>76,059</u>	<u>1,475,314</u>	<u>32,855,240</u>
	1,298,356	8,000,247	-	9,298,603
	140,957	-	-	140,957
	-	-	-	6,267,304
	-	-	70,193	11,555,892
	<u>1,439,313</u>	<u>8,000,247</u>	<u>70,193</u>	<u>27,262,756</u>
	<u>20,902,781</u>	<u>8,076,306</u>	<u>1,545,507</u>	<u>60,117,996</u>
	-	-	10,484	434,202
	116,532	35,549	157,394	1,737,642
	<u>116,532</u>	<u>35,549</u>	<u>167,878</u>	<u>2,171,844</u>
\$	<u>21,019,313</u>	<u>\$ 8,111,855</u>	<u>\$ 1,713,385</u>	<u>\$ 62,289,840</u>
\$	703,632	\$ 131,379	\$ 24,234	\$ 2,989,142
	10,196	3,721	18,065	190,663
	-	-	-	2,726
	36,938	-	-	36,938
	-	990,803	-	990,803
	<u>7,775,304</u>	<u>-</u>	<u>-</u>	<u>7,775,304</u>
	<u>8,526,070</u>	<u>1,125,903</u>	<u>42,299</u>	<u>11,985,576</u>
	-	11,284,857	-	11,284,857
	20,977,553	-	-	20,977,553
	-	-	64,793	1,856,747
	<u>946,347</u>	<u>288,690</u>	<u>1,278,191</u>	<u>14,111,285</u>
	<u>21,923,900</u>	<u>11,573,547</u>	<u>1,342,984</u>	<u>48,230,442</u>
	<u>30,449,970</u>	<u>12,699,450</u>	<u>1,385,283</u>	<u>60,216,018</u>
	-	-	4,240	97,681
	3,399	1,037	4,590	50,681
	<u>3,399</u>	<u>1,037</u>	<u>8,830</u>	<u>148,362</u>
	-	-	70,193	17,823,196
	1,439,313	8,000,247	-	9,439,560
	<u>(10,873,369)</u>	<u>(12,588,879)</u>	<u>249,079</u>	<u>(25,337,296)</u>
	<u>(9,434,056)</u>	<u>(4,588,632)</u>	<u>319,272</u>	<u>1,925,460</u>
\$	<u>21,019,313</u>	<u>\$ 8,111,855</u>	<u>\$ 1,713,385</u>	<u>\$ 62,289,840</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Information &amp; Technology Services</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 8,231,776	\$ 2,733,610	\$ 6,404,421
Miscellaneous	8,405	-	9,669
Total operating revenues	<u>8,240,181</u>	<u>2,733,610</u>	<u>6,414,090</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	1,740,751	256,052	3,062,724
Cost of sales	-	2,083,987	-
Contractual services	924,149	57,393	361,744
Utilities	4,058	-	129,207
Maintenance and supplies	3,190,932	101,478	1,957,711
Insurance	103,594	5,308	70,705
Claims	-	-	-
Employee benefits	1,255,179	145,058	2,193,585
Administration services	224,742	46,118	3,221
Allocated indirect administrative costs	355,266	-	-
Depreciation	2,376,400	-	574,003
Total operating expenses	<u>10,175,071</u>	<u>2,695,394</u>	<u>8,352,900</u>
OPERATING INCOME (LOSS)	<u>(1,934,890)</u>	<u>38,216</u>	<u>(1,938,810)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Gain (loss) on disposition of capital assets	(160,539)	-	(4,953)
Settlements and recoveries	-	-	-
Interest income	69,518	-	28,161
Net increase (decrease) in fair value of investments	<u>(67,425)</u>	<u>349</u>	<u>(30,843)</u>
Total nonoperating revenues (expenses)	<u>(158,446)</u>	<u>349</u>	<u>(7,635)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,093,336)	38,565	(1,946,445)
Transfers in	819,273	5,138	269,462
Transfers out	<u>(28,320)</u>	<u>-</u>	<u>(136,262)</u>
CHANGES IN NET POSITION	(1,302,383)	43,703	(1,813,245)
NET POSITION (DEFICIT), JULY 1	<u>16,944,344</u>	<u>(69,193)</u>	<u>1,825,650</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 15,641,961</u>	<u>\$ (25,490)</u>	<u>\$ 12,405</u>

	Insurance	Employee Benefits Management	Building Services	Total
\$	31,804,447	\$ 25,859,173	\$ 3,197,642	\$ 78,231,069
	296	168,835	2,567	189,772
	<u>31,804,743</u>	<u>26,028,008</u>	<u>3,200,209</u>	<u>78,420,841</u>
	399,005	2,425,316	590,514	8,474,362
	-	-	-	2,083,987
	2,257,951	309,592	1,340,007	5,250,836
	1,037	998	216,672	351,972
	7,043	7,514	496,254	5,760,932
	18,880,827	2,731	13,279	19,076,444
	9,774,878	3,457	-	9,778,335
	430,471	25,641,820	624,448	30,290,561
	175,763	285,049	52,873	787,766
	-	-	-	355,266
	-	-	2,913	2,953,316
	<u>31,926,975</u>	<u>28,676,477</u>	<u>3,336,960</u>	<u>85,163,777</u>
	<u>(122,232)</u>	<u>(2,648,469)</u>	<u>(136,751)</u>	<u>(6,742,936)</u>
	-	-	4,940	(160,552)
	-	5,884,277	-	5,884,277
	230,932	27,972	9,520	366,103
	<u>(259,606)</u>	<u>(70,629)</u>	<u>(8,977)</u>	<u>(437,131)</u>
	<u>(28,674)</u>	<u>5,841,620</u>	<u>5,483</u>	<u>5,652,697</u>
	(150,906)	3,193,151	(131,268)	(1,090,239)
	146,142	554,630	492,428	2,287,073
	-	-	(47,118)	(211,700)
	<u>(4,764)</u>	<u>3,747,781</u>	<u>314,042</u>	<u>985,134</u>
	<u>(9,429,292)</u>	<u>(8,336,413)</u>	<u>5,230</u>	<u>940,326</u>
\$	<u><u>(9,434,056)</u></u>	<u><u>(4,588,632)</u></u>	<u><u>319,272</u></u>	<u><u>1,925,460</u></u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Information &amp; Technology Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 39,261	\$ -	\$ 9,669
Receipts from interfund services provided	8,231,776	1,200,574	6,404,421
Payments to suppliers	(3,812,761)	(769,476)	(2,795,131)
Payment of insurance claims	-	-	-
Payments to employees	(2,638,923)	(398,906)	(4,479,517)
Payments for interfund services used	(966,988)	(35,187)	(145,778)
Net cash provided (used) by operating activities	<u>852,365</u>	<u>(2,995)</u>	<u>(1,006,336)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	819,273	5,138	269,462
Transfers out	(28,320)	-	(136,262)
Settlements and recoveries	-	-	-
Net cash provided (used) by noncapital financing activities	<u>790,953</u>	<u>5,138</u>	<u>133,200</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(3,338,477)	-	(47,023)
Proceeds from sale of capital assets	21,738	-	-
Net cash provided (used) by capital and related financing activities	<u>(3,316,739)</u>	<u>-</u>	<u>(47,023)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	79,038	2,726	35,047
Net increase (decrease) in the fair value of investments	(67,425)	(4,868)	(30,843)
Net cash provided (used) by investing activities	<u>11,613</u>	<u>(2,142)</u>	<u>4,204</u>
Net increase (decrease) in cash and cash equivalents	(1,661,808)	1	(915,955)
CASH AND CASH EQUIVALENTS, JULY 1	<u>9,041,404</u>	<u>-</u>	<u>3,976,704</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 7,379,596</u>	<u>\$ 1</u>	<u>\$ 3,060,749</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>			
Cash and cash equivalents	\$ 7,379,596	\$ 1	\$ 3,060,749
Restricted cash and cash equivalents	-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 7,379,596</u>	<u>\$ 1</u>	<u>\$ 3,060,749</u>

Insurance	Employee Benefits Management	Building Services	Total
\$ -	\$ 111,355	\$ -	\$ 160,285
31,720,637	25,859,173	3,186,254	76,602,835
(23,572,848)	(322,021)	(1,942,050)	(33,214,287)
(7,191,144)	(3,457)	-	(7,194,601)
(640,817)	(26,976,385)	(843,842)	(35,978,390)
(249,346)	(361,363)	(187,491)	(1,946,153)
<u>66,482</u>	<u>(1,692,698)</u>	<u>212,871</u>	<u>(1,570,311)</u>
146,142	554,630	492,428	2,287,073
-	-	(47,118)	(211,700)
-	5,884,277	-	5,884,277
<u>146,142</u>	<u>6,438,907</u>	<u>445,310</u>	<u>7,959,650</u>
-	-	-	(3,385,500)
-	-	4,940	26,678
-	-	4,940	(3,358,822)
269,539	65,888	10,044	462,282
(259,606)	(70,629)	(8,977)	(442,348)
<u>9,933</u>	<u>(4,741)</u>	<u>1,067</u>	<u>19,934</u>
222,557	4,741,468	664,188	3,050,451
19,219,088	3,258,779	779,574	36,275,549
<u>\$ 19,441,645</u>	<u>\$ 8,000,247</u>	<u>\$ 1,443,762</u>	<u>\$ 39,326,000</u>
\$ 18,002,332	\$ -	\$ 1,443,762	\$ 29,886,440
1,439,313	8,000,247	-	9,439,560
<u>\$ 19,441,645</u>	<u>\$ 8,000,247</u>	<u>\$ 1,443,762</u>	<u>\$ 39,326,000</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Fleet Management	Central Services
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,934,890)	\$ 38,216
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,376,400	-
Change in assets, liabilities, and deferred resources:		
(Increase) decrease in accounts receivable	34,291	-
(Decrease) in due from governments	(4,906)	-
(Increase) decrease in prepaid expenses	13,428	
Decrease in inventories	-	187,086
Increase (decrease) in accounts payable	14,470	1,302,535
Increase (decrease) in accrued salaries and benefits	(529)	2,204
(Decrease) in due to other funds	-	(1,533,036)
Increase in compensated absences	-	-
(Increase) decrease in net OPEB liability and deferred resources	(8,940)	-
(Increase) decrease in net pension liability and deferred resources	366,476	-
Increase (decrease) in unearned revenue	(3,435)	-
Increase in claims liability	-	-
Total adjustments	2,787,255	(41,211)
Net cash provided (used) by operating activities	\$ 852,365	\$ (2,995)

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ (1,938,810)	\$ (122,232)	\$ (2,648,469)	\$ (136,751)	\$ (6,742,936)
574,003	-	-	2,913	2,953,316
-	(100,379)	(57,480)	(4,940)	(128,508)
(327)	(379)	(27)	(13,955)	(19,594)
142,876	322	(2,063)	(1,070)	153,493
-	-	-	-	187,086
(560,870)	(2,499,516)	(75,410)	(4,446)	(1,823,237)
1,801	(801)	(326)	1,658	4,007
-	-	-	-	(1,533,036)
-	-	1,196,638	-	1,196,638
(22,772)	-	-	53	(31,659)
797,763	189,460	(105,561)	369,409	1,617,547
-	16,273	-	-	12,838
-	2,583,734	-	-	2,583,734
<u>932,474</u>	<u>188,714</u>	<u>955,771</u>	<u>349,622</u>	<u>5,172,625</u>
<u>\$ (1,006,336)</u>	<u>\$ 66,482</u>	<u>\$ (1,692,698)</u>	<u>\$ 212,871</u>	<u>\$ (1,570,311)</u>

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## **Custodial Funds**

Custodial Funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

**SPECIAL DISTRICTS** - To account for collection of special district assessments from property owners and forwarding these collections to trustees for payment to bondholders.

**TUOLUMNE RIVER REGIONAL PARK** - To account for cash and investments of the Tuolumne River Regional Park, a joint powers agency between the City of Modesto, Stanislaus County and City of Ceres. The agency provides financing, development, and maintenance of the Tuolumne River Regional Park facilities. The cash and investments of the Park are invested as part of the City's investment pool.

**MODESTO-CERES FIRE PROTECTION AGENCY** - To record and distribute the special assessments for fire protection that were established under the Industrial Fire District. This is a joint powers agency between the Modesto Regional Fire Authority, the City of Ceres, and the Industrial Fire District. Cash and investments of the Agency are invested in the City's investment pool.

**CITY/COUNTY JOINT POWERS FINANCING AUTHORITY** - To account for cash and investments of the City/County Capital Improvements and Financing Agency, a joint powers agency between the City of Modesto and Stanislaus County. The agency builds and maintains a joint City-County government complex in downtown Modesto. The cash and investments of the Agency are invested as part of the City's investment pool.

**CITY OF MODESTO**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - OTHER CUSTODIAL FUNDS**  
**JUNE 30, 2021**

	Special Districts	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	City/County Joint Powers Financing Authority	Total Other Custodial Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,087,831	\$ 183,851	\$ 257,559	\$ 21,768	\$ 1,551,009
Restricted cash and cash equivalents held with fiscal agent	2,933,813	-	-	-	2,933,813
Receivables:					
Interest receivable	4,148	279	1,080	43	5,550
Taxes receivable	68,204	-	22,414	-	90,618
Assessments receivable	28,818,947	-	-	-	28,818,947
Due from governments	-	330,095	-	-	330,095
Land and construction in progress	-	2,944,919	-	-	2,944,919
Other capital assets, net of accumulated depreciation	-	4,580,836	-	-	4,580,836
Other assets	788	-	-	-	788
<b>Total assets</b>	<b>32,913,731</b>	<b>8,039,980</b>	<b>281,053</b>	<b>21,811</b>	<b>41,256,575</b>
<b>Deferred outflows of resources:</b>					
Loss on refunding	1,043,590	-	-	-	1,043,590
<b>LIABILITIES</b>					
Accounts payable and other liabilities	-	77,915	-	-	77,915
Unearned revenues	-	-	-	-	-
Due to local governments	-	-	281,051	-	281,051
Interest payable	431,596	-	-	-	431,596
Long-term liabilities:					
Due within one year	981,659	-	-	-	981,659
Due in more than one year	28,839,337	-	-	-	28,839,337
<b>Total liabilities</b>	<b>30,252,592</b>	<b>77,915</b>	<b>281,051</b>	<b>-</b>	<b>30,611,558</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenues	812,680	-	-	-	812,680
<b>NET POSITION</b>					
Net invested in capital assets	-	7,525,755	-	-	7,525,755
Restricted	2,933,813	-	-	-	2,933,813
Unrestricted	(41,764)	436,310	2	21,811	416,359
<b>Total net position</b>	<b>\$ 2,892,049</b>	<b>\$ 7,962,065</b>	<b>\$ 2</b>	<b>\$ 21,811</b>	<b>\$ 10,875,927</b>

**CITY OF MODESTO**  
**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - OTHER CUSTODIAL FUNDS**  
**JUNE 30, 2021**

	Special Districts	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	City/County Joint Powers Financing Authority	Total Other Custodial Funds
<b>ADDITIONS:</b>					
<b>Contributions:</b>					
Members investment pool	\$ -	\$ 385,526	\$ -	\$ -	\$ 385,526
Total contributions	<u>-</u>	<u>385,526</u>	<u>-</u>	<u>-</u>	<u>385,526</u>
<b>Collections on behalf of other governments:</b>					
Special assessments	2,316,754	-	295,040	-	2,611,794
Property taxes	-	-	349,136	-	349,136
Grants	-	150,065	-	-	150,065
Other	-	76,504	-	-	76,504
Total collections on behalf of other governments	<u>2,316,754</u>	<u>226,569</u>	<u>644,176</u>	<u>-</u>	<u>3,187,499</u>
<b>Interest and investment earnings:</b>					
Interest earnings	16,953	426	1,920	202	19,501
Net (decrease) in fair value of investments	(15,753)	(582)	(2,343)	(202)	(18,880)
Total interest and investment earnings	<u>1,200</u>	<u>(156)</u>	<u>(423)</u>	<u>-</u>	<u>621</u>
Total additions	<u>2,317,954</u>	<u>611,939</u>	<u>643,753</u>	<u>-</u>	<u>3,573,646</u>
<b>DEDUCTIONS:</b>					
Distribution of property taxes to other taxing entities	-	-	632,288	-	632,288
<b>Obligation retirements:</b>					
Principal retirement	830,000	-	-	-	830,000
Interest expense	1,304,795	-	-	-	1,304,795
Trustee fees	3,685	-	-	-	3,685
Debt refunding expense	-	-	-	-	-
City administrative expenses	25,593	88,517	1,899	-	116,009
Other expenses	11,215	-	9,564	-	20,779
Depreciation expense	-	445,876	-	-	445,876
Operating expenses	-	336,100	-	-	336,100
Total deductions	<u>2,175,288</u>	<u>870,493</u>	<u>643,751</u>	<u>-</u>	<u>3,689,532</u>
Net increase (decrease) in net position	142,666	(258,554)	2	-	(115,886)
Net position, July 1 - restated	2,749,383	8,220,619	-	21,811	10,991,813
Prior year adjustment	-	-	-	-	-
Net position, June 30	<u>\$ 2,892,049</u>	<u>\$ 7,962,065</u>	<u>\$ 2</u>	<u>\$ 21,811</u>	<u>\$ 10,875,927</u>

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STATISTICAL SECTION TAB



## **STATISTIAL SECTION**



## Statistical Section

This part of the Annual Comprehensive Financial Report presents detailed information to aid in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

### Revenue Capacity

This schedule gives information on the City's most significant local revenue source, the water usage charges:

1. Water Utility System – Ten Largest Customers
2. Water revenues by customer class
3. Water rates

### Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Debt Margin
4. Revenue Bond Coverage, Wastewater Revenue Bonds

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers
3. Principal Property Taxpayers

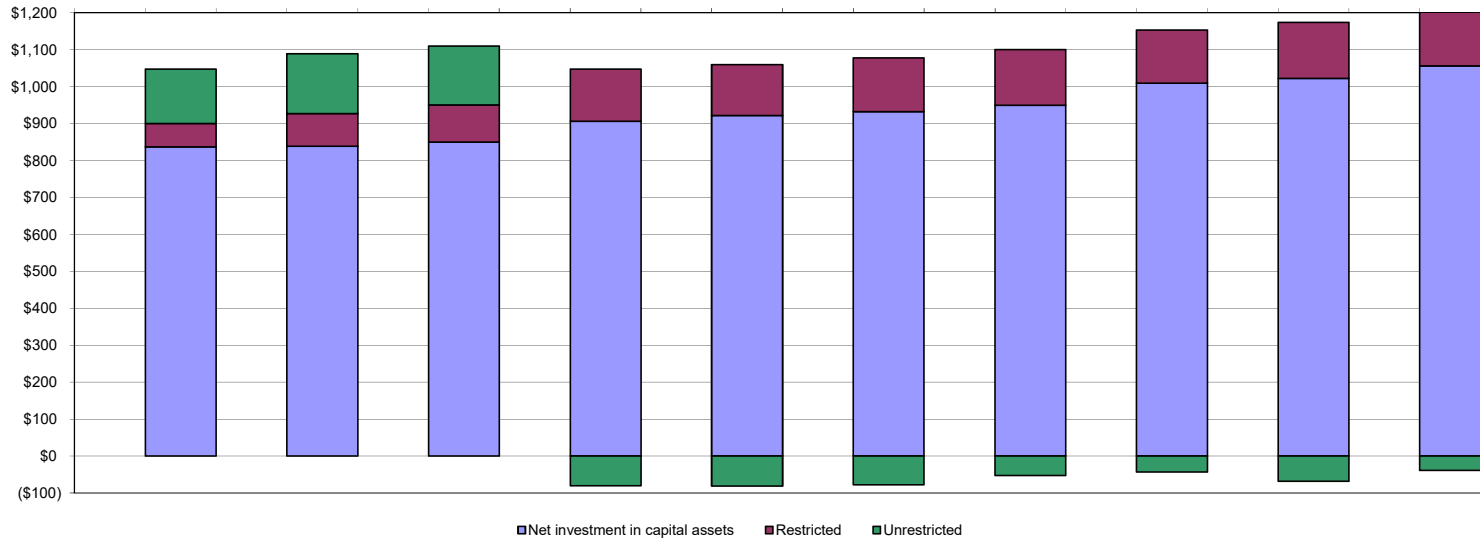
### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time City Government Employees by Function
2. Operating Indicators by Function
3. Capital Asset Statistics by Function/Program

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

**CITY OF MODESTO**  
**NET POSITION BY COMPONENT <sup>(1)</sup>**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental activities</b>										
Net investment in capital assets	\$ 362,755,958	\$ 361,582,237	\$ 347,647,419	\$ 378,145,625	\$ 381,887,289	\$ 376,743,556	\$ 377,529,238	\$ 401,515,805	\$ 374,618,780	\$ 407,347,307
Restricted <sup>(2)</sup>	63,498,187	63,381,356	77,564,677	121,105,182	115,619,807	123,851,082	130,192,278	127,885,787	135,818,614	183,357,207
Unrestricted	(4,326,456)	(1,102,658)	9,167,253	(179,570,210)	(173,275,294)	(191,483,628)	(182,197,396)	(191,345,565)	(206,772,243)	(217,114,643)
<b>Total governmental activities net position</b>	<b>\$ 421,927,689</b>	<b>\$ 423,860,935</b>	<b>\$ 434,379,349</b>	<b>\$ 319,680,597</b>	<b>\$ 324,231,802</b>	<b>\$ 309,111,010</b>	<b>\$ 325,524,120</b>	<b>\$ 338,056,027</b>	<b>\$ 303,665,151</b>	<b>\$ 373,589,871</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 473,757,198	\$ 476,681,835	\$ 502,684,950	\$ 527,784,338	\$ 539,821,175	\$ 555,163,217	\$ 571,811,118	\$ 607,813,261	\$ 647,695,354	\$ 648,609,186
Restricted <sup>(2)</sup>	0	25,571,860	22,398,957	20,622,619	22,052,595	21,525,961	21,071,542	15,569,107	15,857,655	17,004,338
Unrestricted	152,003,655	162,882,299	150,187,831	99,450,370	92,324,550	113,595,981	130,146,975	148,005,231	138,508,360	178,262,877
<b>Total business-type activities net position</b>	<b>\$ 625,760,853</b>	<b>\$ 665,135,994</b>	<b>\$ 675,271,738</b>	<b>\$ 647,857,327</b>	<b>\$ 654,198,320</b>	<b>\$ 690,285,159</b>	<b>\$ 723,029,635</b>	<b>\$ 771,387,599</b>	<b>\$ 802,061,369</b>	<b>\$ 843,876,401</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 836,513,156	\$ 838,264,072	\$ 850,332,369	\$ 905,929,963	\$ 921,708,464	\$ 931,906,773	\$ 949,340,356	\$ 1,009,329,066	\$ 1,022,314,134	\$ 1,055,956,493
Restricted	63,498,187	88,953,216	99,963,634	141,727,801	137,672,402	145,377,043	151,263,820	143,454,894	151,676,269	200,361,545
Unrestricted	147,677,199	161,779,641	159,355,084	(80,119,840)	(80,950,744)	(77,887,647)	(52,050,421)	(43,340,334)	(68,263,883)	(38,851,766)
<b>Total primary government net position</b>	<b>\$ 1,047,688,542</b>	<b>\$ 1,088,996,929</b>	<b>\$ 1,109,651,087</b>	<b>\$ 967,537,924</b>	<b>\$ 978,430,122</b>	<b>\$ 999,396,169</b>	<b>\$ 1,048,553,755</b>	<b>\$ 1,109,443,626</b>	<b>\$ 1,105,726,520</b>	<b>\$ 1,217,466,272</b>

(1) Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

(2) Starting in fiscal year 2015, the significant decrease in net position was due to the implementation of GASB 68 related to the City's net pension liability.

**CITY OF MODESTO**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 14,236,573	\$ 12,041,953	\$ 11,221,704	\$ 12,085,051	\$ 12,838,583	\$ 13,945,824	\$ 15,432,617	\$ 13,973,768	\$ 14,808,371	\$ 14,727,031
Community development	14,206,876	25,162,533	13,002,466	11,888,475	12,552,115	15,419,529	17,268,926	15,720,280	25,698,343	30,782,573
Highways and streets	21,009,521	20,525,496	21,316,315	21,269,704	20,149,011	22,481,002	22,997,140	23,937,423	25,858,611	25,863,042
Public works	6,780,882	4,064,497	3,241,135	9,810,989	10,749,465	13,169,149	8,674,538	3,472,405	3,736,696	3,126,390
Parks and recreation	11,741,352	13,036,579	11,659,816	4,641,611	3,493,743	3,947,898	4,456,508	15,680,980	14,725,590	13,750,865
Public safety	83,568,633	83,857,207	72,301,682	86,782,741	86,907,876	104,348,464	120,629,673	111,059,794	140,709,104	129,785,835
Interest on long-term debt	3,066,897	3,193,997	2,958,471	3,204,203	2,691,894	2,500,849	2,510,224	2,402,299	2,302,626	2,039,849
<b>Total governmental activities expenses</b>	<b>\$154,610,734</b>	<b>\$161,882,262</b>	<b>\$135,701,589</b>	<b>\$149,682,774</b>	<b>\$149,382,687</b>	<b>\$175,812,715</b>	<b>\$191,969,626</b>	<b>\$186,246,949</b>	<b>\$227,839,341</b>	<b>\$220,075,585</b>
<b>Business-type activities:</b>										
Water	\$ 1,482,640	\$ 1,252,660	\$ 1,605,829	\$ 54,718,239	\$ 59,127,625	\$ 63,008,231	\$ 56,526,729	\$ 62,745,688	\$ 69,187,391	\$ 68,792,875
Sewer	53,730,665	48,656,862	63,498,896	30,281,361	33,093,921	36,248,877	41,444,220	41,216,914	45,832,671	46,500,454
Bus	29,366,025	24,155,935	31,895,568	18,614,175	19,709,745	21,979,360	20,538,934	24,276,760	25,261,736	28,889,011
Parking	6,674,100	4,239,567	6,372,418	1,513,185	1,625,943	1,628,226	1,553,258	1,899,479	1,905,382	1,700,607
Storm drain	4,426,031	4,350,079	4,951,441	3,913,204	5,312,896	6,119,472	5,202,444	7,157,290	7,384,884	5,585,980
Compost	1,640,733	1,534,242	2,291,222	7,841,048	11,998,345	9,648,481	9,652,175	8,477,947	10,330,237	12,022,746
Airport	16,944,803	18,025,010	19,618,547	2,025,146	1,787,081	1,744,557	1,578,654	1,646,800	1,841,645	1,865,063
Golf	2,279,650	2,197,368	2,845,109	2,998,505	3,130,536	2,871,167	2,616,077	3,052,785	2,939,639	2,865,795
Community center	2,352,173	1,864,996	2,031,928	1,852,585	1,981,307	1,934,179	1,780,010	1,541,592	1,603,302	1,961,576
Abatement and public nuisance	34,609	42,879	31,877	93,067	84,152	51,624	351,557	63,312	142,124	82,166
<b>Total business-type activities expenses</b>	<b>118,931,429</b>	<b>106,319,598</b>	<b>135,142,835</b>	<b>123,850,515</b>	<b>137,851,551</b>	<b>145,234,174</b>	<b>141,244,058</b>	<b>152,078,567</b>	<b>166,429,011</b>	<b>170,266,273</b>
<b>Total primary government expenses</b>	<b>\$ 273,542,163</b>	<b>\$ 268,201,860</b>	<b>\$ 270,844,424</b>	<b>\$ 273,533,289</b>	<b>\$ 287,234,238</b>	<b>\$ 321,046,889</b>	<b>\$ 333,213,684</b>	<b>\$ 338,325,516</b>	<b>\$ 394,268,352</b>	<b>\$ 390,341,858</b>
<b>Program revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 6,799,202	\$ 6,262,963	\$ 5,825,407	\$ 5,912,157	\$ 6,539,908	\$ 5,082,405	\$ 6,544,581	\$ 6,387,743	\$ 5,973,621	\$ 6,237,530
Community development	4,430,690	4,123,811	4,537,984	3,385,050	6,885,850	10,378,999	16,049,727	12,106,237	17,327,298	16,611,118
Highway and streets	4,178,567	761,394	873,566	1,744,505	1,154,290	1,101,813	758,952	748,319	909,580	651,061
Public works	2,936,299	3,565,048	4,146,641	6,621,704	5,469,419	5,908,332	1,637,024	2,779,546	2,921,053	2,869,808
Parks and recreation	3,221,072	3,623,647	3,004,001	1,344,923	771,733	1,614,443	2,346,211	2,450,965	3,358,983	2,145,685
Public safety	3,338,783	3,668,302	3,123,758	4,218,000	3,868,346	4,847,914	5,127,433	4,502,546	11,354,045	5,849,193
Operating grants and contributions	10,270,642	16,477,474	5,868,684	5,862,566	3,630,185	5,050,771	5,802,634	6,591,435	16,838,122	12,010,918
Capital grants and contributions	9,509,584	9,046,762	8,206,154	5,878,550	1,708,602	2,117,867	3,062,292	8,831,664	5,894,717	57,825,011
<b>Total governmental activities program revenues</b>	<b>44,684,839</b>	<b>47,529,401</b>	<b>35,586,195</b>	<b>34,967,455</b>	<b>30,028,333</b>	<b>36,102,544</b>	<b>41,328,854</b>	<b>44,398,455</b>	<b>64,577,419</b>	<b>104,200,324</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	\$ 1,291,401	\$ 1,169,293	\$ 1,092,347	\$ 59,800,535	\$ 55,992,533	\$ 69,075,873	\$ 74,842,451	\$ 76,806,740	\$ 82,796,199	\$ 87,713,122
Sewer	57,534,190	61,474,235	60,254,110	46,193,997	47,859,680	49,905,078	52,799,102	57,562,619	58,168,552	63,614,677
Bus	41,825,928	43,414,773	46,046,304	3,424,662	3,352,615	3,253,046	3,305,910	3,176,134	2,443,208	1,624,167
Parking	5,783,694	5,780,644	5,831,133	1,239,439	1,289,211	1,284,269	1,434,311	1,519,954	1,264,938	983,353
Storm drain	4,672,517	8,012,611	4,853,133	5,874,349	5,588,169	5,910,989	6,004,682	6,133,801	6,114,242	6,167,491
Compost	619,689	619,904	634,530	7,191,145	7,352,767	8,903,917	8,934,075	10,090,662	10,216,018	10,433,758
Airport	2,892,539	2,946,937	2,989,504	551,373	622,383	596,152	651,693	737,072	651,447	686,923
Golf	1,759,818	1,568,532	2,196,280	2,574,496	2,431,904	2,236,100	2,485,688	2,419,938	2,005,588	3,343,027
Community center	420,059	263,581	230,801	257,991	326,839	305,436	294,524	285,685	188,589	36,914
Abatement and public nuisance	71,567	302,563	201,825	128,636	166,641	117,677	112,199	231,167	67,181	115,999
Operating grants and contributions	12,694,058	13,766,061	13,721,179	14,223,954	14,153,568	15,975,703	17,858,762	25,668,280	21,780,920	29,310,591
Capital grants and contributions	12,021,793	4,282,549	4,971,940	13,820,127	4,753,223	19,617,513	7,196,698	5,198,721	546,375	8,672,597
<b>Total business-type activities program revenues</b>	<b>141,587,253</b>	<b>143,601,683</b>	<b>143,023,086</b>	<b>155,280,704</b>	<b>143,889,533</b>	<b>177,181,752</b>	<b>175,920,095</b>	<b>189,830,773</b>	<b>186,243,257</b>	<b>212,702,619</b>
<b>Total primary government program revenues</b>	<b>\$ 186,272,092</b>	<b>\$ 191,131,084</b>	<b>\$ 178,609,281</b>	<b>\$ 190,248,159</b>	<b>\$ 173,917,866</b>	<b>\$ 213,284,296</b>	<b>\$ 217,248,949</b>	<b>\$ 234,229,228</b>	<b>\$ 250,820,676</b>	<b>\$ 316,902,943</b>
<b>Net (Expense)/Revenue</b>										
<b>Governmental activities</b>	<b>\$ (109,925,895)</b>	<b>\$ (114,352,861)</b>	<b>\$ (100,115,394)</b>	<b>\$ (114,715,319)</b>	<b>\$ (119,354,354)</b>	<b>\$ (139,710,171)</b>	<b>\$ (150,640,772)</b>	<b>\$ (141,848,494)</b>	<b>\$ (163,261,922)</b>	<b>\$ (115,875,261)</b>
<b>Business-type activities</b>	<b>22,655,824</b>	<b>37,282,085</b>	<b>7,880,251</b>	<b>31,430,189</b>	<b>6,037,982</b>	<b>31,947,578</b>	<b>34,676,037</b>	<b>37,752,206</b>	<b>19,814,246</b>	<b>42,436,346</b>
<b>Total primary government net expense</b>	<b>\$ (87,270,071)</b>	<b>\$ (77,070,776)</b>	<b>\$ (92,235,143)</b>	<b>\$ (83,285,130)</b>	<b>\$ (113,316,372)</b>	<b>\$ (107,762,593)</b>	<b>\$ (115,964,735)</b>	<b>\$ (104,096,288)</b>	<b>\$ (143,447,676)</b>	<b>\$ (73,438,915)</b>

(continued)

**City of Modesto**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Utility users tax	\$ 19,230,879	\$ 20,399,116	\$ 20,153,653	\$ 19,591,170	\$ 19,564,921	\$ 20,113,023	\$ 20,609,874	\$ 19,803,859	\$ 19,803,218	\$ 20,764,694
Property taxes, levied for general purposes <sup>(1)</sup>	11,863,902	11,618,481	12,304,010	13,551,827	14,552,304	15,384,518	16,356,095	17,316,735	18,113,180	19,106,595
Property taxes, generated by and allocated to the airport	2,884,357	-	-	-	-	-	-	-	-	-
Transient occupancy tax	1,769,106	1,884,188	1,879,825	2,097,952	2,523,087	2,669,484	2,826,160	2,961,406	2,727,061	2,850,229
Franchise tax	4,236,705	5,785,355	5,003,130	5,768,146	6,194,733	6,431,223	6,433,869	6,762,101	6,996,152	7,117,014
Cannabis tax <sup>(5)</sup>	-	-	-	-	-	-	-	352,208	3,201,364	5,379,402
Business license tax, levied for general purposes	9,694,722	10,176,791	10,573,820	11,421,759	11,944,291	12,255,062	13,053,199	13,715,997	13,269,468	13,899,554
Business license tax, levied for downtown improvement district	177,026	170,222	181,689	188,247	186,123	192,540	189,070	202,014	190,543	225,051
<b>Grants and contributions not restricted to specific programs: <sup>(4)</sup></b>										
Sales tax (state appropriation)	25,958,263	27,110,911	27,651,939	28,437,594	29,878,815	30,204,125	31,302,950	31,665,700	30,534,694	35,670,236
Motor vehicle license fee	13,072,804	12,038,983	12,494,642	13,871,248	14,548,427	15,385,069	16,206,760	17,057,003	17,977,807	18,855,971
Transportation tax funding	-	-	-	5,924,101	4,533,572	3,968,029	5,672,563	19,002,236	19,438,347	22,501,876
Community facilities district fees	-	-	-	4,570,403	3,829	1,830	274,494	8,432	16,567	14,628
Special assessments, levied	-	-	-	1,924,623	3,168,260	3,014,768	5,715,030	4,260,281	4,622,697	4,851,750
Proceeds from Modesto Regional Fire Authority dissolution	-	-	-	2,500,721	-	-	-	-	-	-
Other	11,794,261	12,844,926	15,269,250	25,866,105	13,101,149	15,842,047	17,469,209	13,832,686	27,469,638	39,528,038
Unrestricted investment earnings	(411,571)	52,893	441,383	564,314	582,565	362,856	726,199	5,753,083	6,044,156	(287,088)
Miscellaneous	1,821,336	1,861,660	5,402,480	2,281,008	2,440,696	515,206	818,542	3,421,783	3,660,429	2,184,677
Transfers	2,838,873	1,055,670	(41,312)	(775,377)	(567,177)	(1,750,401)	(354,287)	(1,675,373)	479,917	824,609
<b>Total government activities</b>	<b>104,930,663</b>	<b>104,999,196</b>	<b>111,314,509</b>	<b>137,783,841</b>	<b>122,655,595</b>	<b>124,589,379</b>	<b>137,299,727</b>	<b>154,440,151</b>	<b>174,545,238</b>	<b>193,487,236</b>
<b>Business-type activities:</b>										
<b>Taxes:</b>										
Property taxes, generated by and allocated to the airport	253,974	257,687	254,200	237,546	206,854	199,124	207,849	201,931	190,995	266,272
Unrestricted investment earnings	2,095,947	1,184,422	2,726,148	554,180	2,247,061	872,935	1,047,604	7,290,802	8,082,331	(192,489)
Connection fees <sup>(2)</sup>	-	1,200,800	524,914	-	-	-	-	-	-	-
Miscellaneous	-	-	-	1,214,729	1,368,761	1,316,801	1,472,809	1,528,727	1,390,820	1,686,667
Settlements	(2,838,873)	(1,055,670)	41,317	13,851	-	-	-	-	-	-
Transfers, net	222,379	116,711	110,376	775,377	567,177	1,750,401	354,287	1,675,373	(479,917)	(824,609)
Special item <sup>(3)</sup>	(826,133)	(1,143,257)	(1,356,418)	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>(1,092,706)</b>	<b>560,693</b>	<b>2,300,537</b>	<b>2,795,683</b>	<b>4,389,853</b>	<b>4,139,261</b>	<b>3,082,549</b>	<b>10,696,833</b>	<b>9,184,229</b>	<b>935,841</b>
<b>Total primary government</b>	<b>\$ 103,837,957</b>	<b>\$ 105,559,889</b>	<b>\$ 113,615,046</b>	<b>\$ 140,579,524</b>	<b>\$ 127,045,448</b>	<b>\$ 128,728,640</b>	<b>\$ 140,382,276</b>	<b>\$ 165,136,984</b>	<b>\$ 183,729,467</b>	<b>\$ 194,423,077</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (4,995,232)	\$ (9,353,665)	\$ 11,199,115	\$ 23,068,522	\$ 3,301,241	\$ (15,120,792)	\$ (13,341,045)	\$ 12,591,657	\$ 11,283,316	\$ 77,611,975
Business-type activities	21,563,118	37,842,778	10,180,788	34,225,872	10,427,835	36,086,839	37,758,586	48,449,039	28,998,475	43,372,187
<b>Total primary government</b>	<b>\$ 16,567,886</b>	<b>\$ 28,489,113</b>	<b>\$ 21,379,903</b>	<b>\$ 57,294,394</b>	<b>\$ 13,729,076</b>	<b>\$ 20,966,047</b>	<b>\$ 24,417,541</b>	<b>\$ 61,040,696</b>	<b>\$ 40,281,791</b>	<b>\$ 120,984,162</b>

(1) Due to the dissolution of the Redevelopment agencies, no tax increments will be reported on the entity-wide statements.

(2) Starting in fiscal year 2015, connection fee revenues were reported as part of program revenues for the Water fund.

(3) Starting in fiscal year 2015, the special item related to pollution remediation has been reported as a liability. Any expenses incurred will be accounted for as a reduction to the liability.

(4) Starting in fiscal year 2015, general revenues for grants and contributions not restricted to specific programs other related governmental activities were reclassified to provide more specific category revenue types.

(5) During fiscal years 2019 and 2020, Cannabis tax was previously reported as Business license tax levied for general purposes. In fiscal year 2021 financials have been updated to report Cannabis tax as such.

**CITY OF MODESTO  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nonspendable	\$ 123,061	\$ 126,603	\$ 102,152	\$ 2,770,844	\$ 2,647,692	\$ 2,515,146	\$ 2,881,523	\$ 2,723,032	\$ 2,503,547	\$ 2,388,852
Restricted	3,998,539	3,713,640	3,718,682	1,341,972	2,092,126	1,970,622	2,674,200	2,209,485	2,137,896	3,367,488
Committed	-	-	3,000,000	3,000,000	3,000,000	15,800,000	18,397,817	18,397,817	18,397,817	18,397,817
Assigned	519,051	1,173,377	1,024,149	3,119,753	6,503,769	4,854,307	1,096,566	509,751	309,114	349,022
Unassigned	10,806,111	11,758,746	12,069,864	14,586,931	12,822,134	4,509,693	1,695,476	1,742,785	2,407,575	6,395,913
Total General Fund	<u>\$ 15,446,762</u>	<u>\$ 16,772,366</u>	<u>\$ 19,914,847</u>	<u>\$ 24,819,500</u>	<u>\$ 27,065,721</u>	<u>\$ 29,649,768</u>	<u>\$ 26,745,582</u>	<u>\$ 25,582,870</u>	<u>\$ 25,755,949</u>	<u>\$ 30,899,092</u>
All Other Governmental Funds										
Nonspendable	\$ 119	\$ 746	\$ 3,907	\$ 88,057	\$ 86,242	\$ 81,007	\$ 23,816	\$ 13,290	\$ 101,173	\$ 543,554
Restricted	109,145,041	106,724,809	108,672,378	79,643,971	80,563,574	85,531,411	91,786,367	89,210,020	104,838,269	111,141,528
Assigned	2,604,281	3,965,851	3,700,733	14,962,522	10,063,058	7,975,865	17,126,893	19,304,837	26,193,552	34,308,329
Unassigned	(18,852,239)	(32,965,286)	(34,656,617)	(3,866,450)	(724,841)	(3,156,679)	(1,723,380)	(2,809,303)	(7,112,005)	(4,375,860)
Total all other governmental funds	<u>\$ 92,897,202</u>	<u>\$ 77,726,120</u>	<u>\$ 77,720,401</u>	<u>\$ 90,828,100</u>	<u>\$ 89,988,033</u>	<u>\$ 90,431,604</u>	<u>\$ 107,213,696</u>	<u>\$ 105,718,844</u>	<u>\$ 124,020,989</u>	<u>\$ 141,617,551</u>

The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

Note: The City has elected to show ten years of data for this schedule.

**CITY OF MODESTO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenues</b>										
Taxes	\$ 49,856,697	\$ 50,034,153	\$ 50,096,127	\$ 52,619,101	\$ 54,965,459	\$ 57,045,850	\$ 59,468,267	\$ 61,114,320	\$ 64,300,986	\$ 69,342,539
Licenses and permits	131,302	175,720	174,734	149,888	186,624	201,445	153,226	344,855	408,645	473,693
Intergovernmental	68,682,778	75,737,161	67,426,885	88,906,770	76,317,229	72,069,739	85,629,758	96,174,839	125,072,949	154,356,852
Charges for services	19,897,159	19,800,718	19,457,298	22,337,357	20,429,860	24,454,286	25,467,795	23,226,714	36,147,116	28,378,842
Special assessments levied	1,860,905	1,781,896	2,063,784	1,924,623	3,168,260	3,014,768	5,715,030	4,260,281	4,622,697	4,851,750
Interest and rent	1,145,251	835,994	1,019,357	957,846	1,297,734	1,402,387	1,574,347	2,219,282	2,018,446	1,320,686
Net increase (decrease) in fair value of investments	(452,987)	(584,090)	(423,827)	(320,398)	102,422	(572,616)	(645,593)	1,294,543	1,728,158	(985,713)
Fines and forfeits	2,169,482	2,004,133	1,844,607	1,171,076	904,802	1,263,407	1,127,877	1,143,506	666,120	660,110
Miscellaneous	1,821,336	2,081,776	4,653,746	2,784,295	2,286,597	516,844	818,542	722,662	989,858	1,392,784
<b>Total Revenues</b>	<b>145,111,923</b>	<b>151,867,461</b>	<b>146,312,711</b>	<b>170,530,558</b>	<b>159,658,987</b>	<b>159,396,110</b>	<b>179,309,249</b>	<b>190,501,002</b>	<b>235,954,975</b>	<b>260,162,501</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	12,411,413	11,169,669	11,643,579	11,334,202	12,414,982	11,542,131	11,837,635	12,262,797	12,028,015	12,483,217
Community development	12,831,734	23,673,373	12,589,817	11,511,154	12,453,678	13,264,050	13,234,820	13,796,154	20,945,194	26,215,559
Highways and streets	8,434,681	8,560,717	8,744,899	9,672,790	8,498,783	9,240,654	8,936,163	10,102,646	11,039,619	12,152,803
Public works	5,283,123	2,993,702	3,088,701	9,228,780	10,393,169	10,919,102	6,509,418	3,017,247	3,035,851	2,635,907
Parks and recreation	9,756,888	11,299,979	11,947,862	4,212,301	3,385,484	3,269,360	3,420,453	13,843,885	11,944,940	11,634,840
Public safety	72,131,852	74,094,399	74,595,533	81,353,131	84,022,670	86,475,891	92,341,706	97,411,634	114,540,829	110,275,920
Capital outlay	20,839,517	26,616,638	12,901,002	30,339,677	19,817,025	21,431,186	19,037,250	38,522,334	38,425,318	51,533,054
<b>Debt service:</b>										
Principal retirement	2,397,000	1,451,000	1,596,000	1,789,335	2,345,362	2,535,093	2,849,343	2,562,498	2,734,132	2,931,077
Interest	3,229,440	2,330,962	2,159,672	2,417,840	2,043,278	2,075,202	2,114,488	1,897,384	1,996,806	1,985,927
Other	48,738	932,460	872,350	783,264	697,405	430,779	396,686	506,333	307,928	51,814
<b>Total Expenditures</b>	<b>147,364,386</b>	<b>163,122,899</b>	<b>140,139,415</b>	<b>162,642,474</b>	<b>156,071,836</b>	<b>161,183,448</b>	<b>160,677,962</b>	<b>193,922,912</b>	<b>216,998,632</b>	<b>231,900,118</b>
Excess of revenues over (under) expenditures	(2,252,463)	(11,255,438)	6,173,296	7,888,084	3,587,151	(1,787,338)	18,631,287	(3,421,910)	18,956,343	28,262,383
<b>Other Financing Sources (Uses)</b>										
Transfers in	11,384,460	18,230,774	7,962,817	8,157,278	6,960,425	5,559,720	10,707,217	21,496,638	15,292,128	14,249,431
Transfers out	(14,223,663)	(18,417,413)	(11,164,994)	(10,682,539)	(10,572,346)	(6,659,759)	(13,568,675)	(20,760,150)	(17,397,619)	(15,500,194)
Capital leases	-	-	-	1,070,472	330,947	5,883,756	-	-	39,204	-
Sale of assets	-	72,489	200,838	94,489	106,582	31,239	154,458	87,608	132,485	1,934
<b>Total other financing sources (uses)</b>	<b>(2,839,203)</b>	<b>(114,150)</b>	<b>(3,001,339)</b>	<b>(1,360,300)</b>	<b>(3,174,392)</b>	<b>4,814,956</b>	<b>(2,707,000)</b>	<b>824,096</b>	<b>(1,933,802)</b>	<b>(1,248,829)</b>
<b>Extraordinary Items:</b>										
RDA dissolution transactions	(403,850)	-	-	-	-	-	-	-	-	-
RDA advance receivable elimination	(966,127)	-	-	-	-	-	-	-	-	-
<b>Total extraordinary items</b>	<b>(1,369,977)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in fund balances	(6,461,643)	(11,369,588)	3,171,957	6,527,784	412,759	3,027,618	15,924,287	(2,597,814)	17,022,541	27,013,554
FUND BALANCES, July 1	113,940,285	108,343,964	94,498,486	97,635,248	115,647,600	117,053,754	120,081,372	133,959,278	131,301,714	149,776,938
PRIOR PERIOD ADJUSTMENTS	865,322	(2,475,890)	(35,195)	11,484,568	993,395	-	(2,046,381)	(59,750)	1,452,683	(4,273,849)
FUND BALANCES, June 30	<b>\$108,343,964</b>	<b>\$94,498,486</b>	<b>\$97,635,248</b>	<b>\$115,647,600</b>	<b>\$117,053,754</b>	<b>\$120,081,372</b>	<b>\$133,959,278</b>	<b>\$131,301,714</b>	<b>\$149,776,938</b>	<b>\$172,516,643</b>
Debt service as a percentage of noncapital expenditures	4.45%	2.77%	2.95%	3.18%	3.22%	3.30%	3.50%	2.87%	2.65%	2.73%

The debt service percentage was revised to only include principal and interest.

**CITY OF MODESTO**  
**REVENUE CAPACITY - MOST SIGNIFICANT LOCAL REVENUE SOURCE**  
**WATER UTILITY SYSTEM**  
**(YEAR ENDED JUNE 30, 2021)**

Ten Largest Customers of Water Utility System, Year Ended 06/30/2021

<u>Customer</u>	<u>Usage (ccf) <sup>(1)</sup></u>	<u>% of Total Usage</u>	<u>Water Sales Revenue (\$)</u>	<u>% of Total Water Sales Revenue</u>
1) Modesto City Schools	456,810	1.95%	\$ 1,241,595	1.58%
2) City of Modesto	400,313	1.70%	1,222,628	1.55%
3) Foster Farms	398,550	1.70%	809,702	1.03%
4) Stanislaus Food Products	339,824	1.45%	742,086	0.94%
5) Stanislaus Housing Authority	171,186	0.73%	515,320	0.65%
6) Sunopta	234,826	1.00%	489,779	0.62%
7) E & J Gallo Winery	168,915	0.72%	471,231	0.60%
8) Modesto Irrigation District	184,987	0.79%	448,130	0.57%
9) Yosemite Community College	109,436	0.47%	325,030	0.41%
10) STANCO	88,851	0.38%	325,004	0.41%
Total Top Ten	<u>2,553,698</u>	<u>10.89%</u>	<u>\$ 6,590,505</u>	<u>8.36%</u>

Total Flat/Metered Revenues (Water Sales)

\$ 78,702,292

(1) "ccf" means "hundred cubic feet"

Water Sales Revenue, Year Ended 06/30/2021

Residential - Flat Rates

\$ 2,533,090

Commercial, Industrial and Municipal - Metered Rates

76,169,202

Total Water Sales <sup>(2)</sup>

\$ 78,702,292

Water Rates and Charges as of 07/01/2020

The average monthly flat rate service charge for residential customers is:

\$ 68.08

Commercial Accounts:

<u>Meter Size</u>	
3/4"	\$ 24.94
1"	36.11
1 1/2"	64.04
2"	97.55
3"	203.66
4"	360.04
6"	734.22
8"	1,348.56
10"	2,130.44
12"	2,800.62

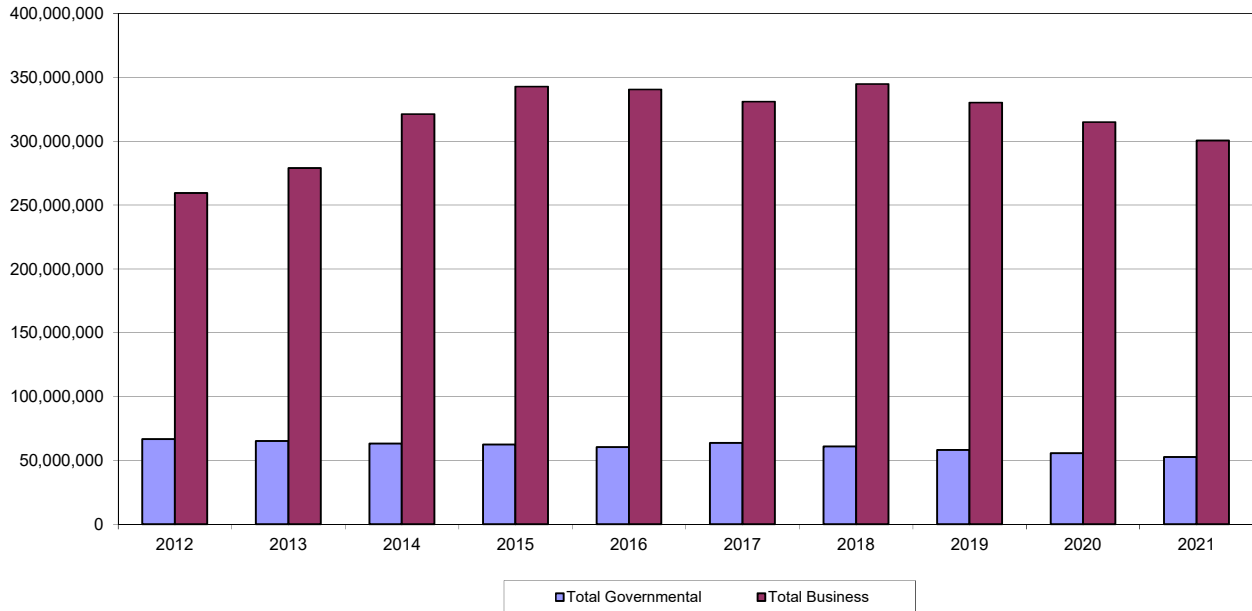
In addition to these minimum charges, commercial accounts are charged \$1.98 per 100 cubic feet of water used.

(2) Water sales only reflect the revenues in the Water Operating Fund and do not include revenue generated from developer fees and fleet replacement revenues.

Source:

City of Modesto-Utilities Division

**CITY OF MODESTO**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**



**Governmental Activities**

Fiscal Year	Loans Payable	Lease Revenue Bonds	Notes Payable	Obligations Under Capital Leases	Total
2012	\$ 500,000	\$ 62,130,000	\$ 3,392,000	\$ 742,937	\$ 66,764,937
2013	500,000	60,870,000	3,201,000	502,622	65,073,622
2014	500,000	59,475,000	3,000,000	256,945	63,231,945
2015	500,000	57,970,000	2,789,000	1,070,472	62,329,472
2016	500,000	56,305,000	2,568,000	942,057	60,315,057
2017	500,000	54,470,000	2,335,000	6,358,720	63,663,720
2018	500,000	52,775,000	2,090,000	5,449,379	60,814,379
2019	500,000	50,915,000	1,834,000	5,002,881	58,251,881
2020	500,000	48,915,000	1,565,000	4,576,954	55,556,954
2021	500,000	46,745,000	1,282,000	4,098,878	52,625,878

**Business-Type Activities**

Fiscal Year	Loans Payable <sup>(3)(6)</sup>	Certificates of Participation <sup>(5)</sup>	Reimbursement Agreement related to MID <sup>(4)(5)</sup>	Revenue Bonds <sup>(3)(4)(5)(6)</sup>	Obligations Under Capital Leases	Total	Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
2012	\$ 16,098,866	\$ 50,237,067	\$ -	\$ 193,098,177	\$ -	\$ 259,434,110	\$ 326,199,047	5.18%	1,617
2013	41,921,784	49,681,357	-	187,251,865	-	278,855,006	343,928,628	7.53%	1,670
2014	88,922,403	49,634,062	-	182,792,914	-	321,349,379	384,581,324	8.15%	1,860
2015	117,690,257	48,989,556	137,055,810	39,057,561	-	342,793,184	405,122,656	8.63%	1,937
2016	125,787,342	48,330,053	132,375,084	33,945,516	-	340,437,995	400,753,052	8.21%	1,891
2017	124,280,500	47,630,552	127,484,358	31,605,936	-	331,001,346	394,665,066	8.13%	1,859
2018	147,366,700	46,916,049	122,378,632	28,090,694	73,589	344,825,664	405,640,043	7.31%	1,894
2019	141,471,062	46,146,545	117,047,906	25,522,898	19,510	330,207,921	388,459,802	7.20%	1,807
2020	135,251,891	45,357,043	111,472,183	22,892,869	7,825	314,981,811	370,538,765	6.30%	1,667
2021	27,540,403	44,557,540	105,641,454	122,384,268	5,625	300,129,290	352,755,168	5.88%	1,610

(1) See Demographic and Economic Statistics for personal income and population data.  
(2) In fiscal year 2012 the Loans Payable increase is from the bond reimbursements related to the State Revolving Fund loan approved for the construction of a new tertiary treatment plant.  
(3) Until fiscal year 2015, the MID Treatment and Delivery issued by MID on behalf of the City was reported as a City liability under Revenue Bonds.  
(4) In fiscal year 2015, the Reimbursement agreement with MID was reclassified from revenue bonds payable to reimbursement agreement related to MID since this long-term debt is listed under MID but is the City's liability due to nature of the treatment and delivery agreement.  
(5) Starting in fiscal year 2016, the amounts presented include net of unamortized premiums or discounts.  
(6) In fiscal year 2021 the decrease in Loans Payable and increase in Revenue Bonds is due to the issuance of Revenue Bonds to pay off the State Revolving Fund loan for the tertiary treatment plant.

**CITY OF MODESTO**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**JUNE 30, 2021**

<u>Jurisdiction</u>	<u>Net Debt Outstanding <sup>(1)</sup></u>	<u>Percentage Applicable to City of Modesto <sup>(2)</sup></u>	<u>Amount Applicable to City of Modesto</u>
Direct debt:			
City of Modesto	<u>\$ 60,814,379</u>	100%	<u>\$ 60,814,379</u>
Overlapping General Obligation debt - school districts:			
Ceres Unified School District	85,895,317	5.37%	4,612,538
Hart-Ransom Union School District	3,500,201	31.40%	1,099,196
Modesto Elementary School District	29,340,000	77.05%	22,607,032
Modesto High School District	21,721,796	67.38%	14,635,452
Paradise Elementary School District	280,000	0.00%	-
Salida Union Elementary District	2,500,000	27.86%	696,434
Stanislaus Union School District	18,970,000	75.02%	14,231,247
Sylvan School District	31,449,119	78.26%	24,612,113
Yosemite Community College District	219,060,060	33.11%	72,527,941
Total overlapping debt	<u>412,716,493</u>		<u>155,021,953</u>
Total direct and overlapping debt	<u>\$ 473,530,872</u>		<u>\$ 215,836,332</u>

(1) Gross debt outstanding less applicable amounts in debt service funds.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping portion to valuation of all property subject to taxation in the jurisdiction.

Note: Source of data for School Districts: Stanislaus County Auditor.

**CITY OF MODESTO**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2021**

Net assessed value <sup>(1)(3)</sup>	\$ 18,031,474,339
Plus homeowners' exemption <sup>(1)(3)</sup>	198,793,232
Gross assessed value <sup>(1)(3)</sup>	\$ 18,230,267,571
Debt limit - 15% of gross assessed value <sup>(2)</sup>	\$ 2,734,540,136
Legal debt margin	\$ 2,734,540,136

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2012	\$ 1,823,551,939	-	\$ 1,823,551,939	0%
2013	1,724,049,678	-	1,724,049,678	0%
2014	1,825,518,342	-	1,825,518,342	0%
2015	2,017,621,335	-	2,017,621,335	0%
2016	2,120,160,392	-	2,120,160,392	0%
2017	2,232,042,092	-	2,232,042,092	0%
2018 <sup>(4)</sup>	2,354,367,851	-	2,354,367,851	0%
2019	2,476,468,235	-	2,476,468,235	0%
2020	2,606,133,716	-	2,606,133,716	0%
2021	2,734,540,136	-	2,734,540,136	0%

(1) Source: Stanislaus County Auditor.

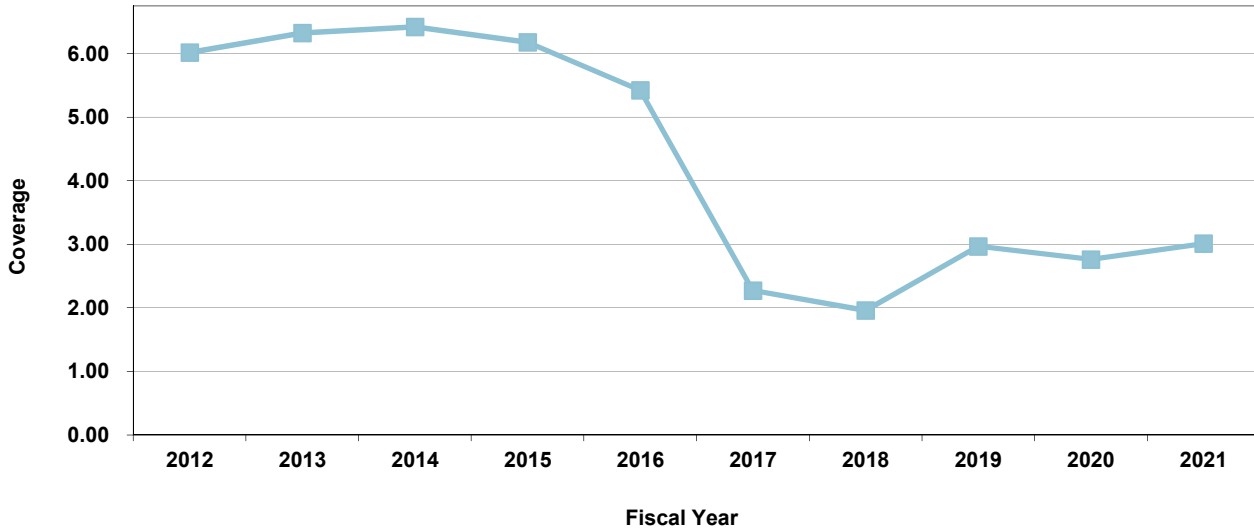
(2) Section 43605 California Government Code.

(3) Figures are based on Stanislaus County.

(4) Fiscal year 2018 was updated after a discussion with Stanislaus County made apparent that the wrong Tax Year was originally pulled from their records.

Note: The City has elected to show ten years worth of data for this schedule.

**CITY OF MODESTO**  
**REVENUE BOND COVERAGE**  
**WASTEWATER REVENUE BONDS**  
**LAST TEN FISCAL YEARS <sup>(4)</sup>**



<b>Fiscal Year</b>	<b>Gross Revenue <sup>(1)</sup></b>	<b>Operating Expenses <sup>(2)(4)</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements <sup>(3)</sup></b>	<b>Coverage</b>
2012	\$ 43,453,216	\$ 19,287,894	\$ 24,165,322	\$ 4,014,808	6.02
2013	45,018,125	19,586,799	25,431,326	4,019,558	6.33
2014	47,233,028	19,860,430	27,372,598	4,261,980	6.42
2015	46,853,368	21,207,025	25,646,343	4,150,322	6.18
2016	50,207,559	25,418,140	24,789,419	4,570,286	5.42
2017	50,907,228	25,212,214	25,695,014	11,311,098	2.27
2018	53,770,230	27,227,948	26,542,282	13,536,703	1.96
2019	62,618,527	27,144,632	35,473,895	11,958,407	2.97
2020	64,094,389	29,019,732	35,074,657	12,706,004	2.76
2021	67,012,041	29,187,910	37,824,131	12,560,711	3.01

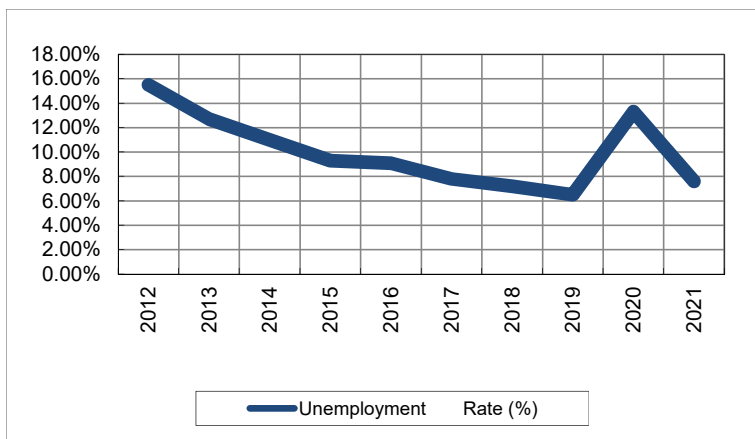
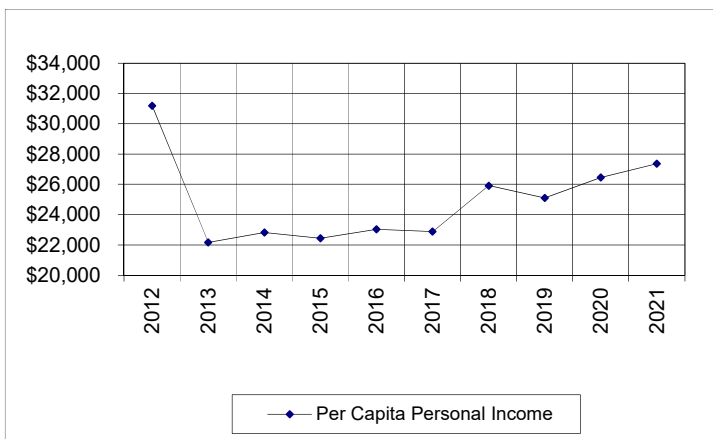
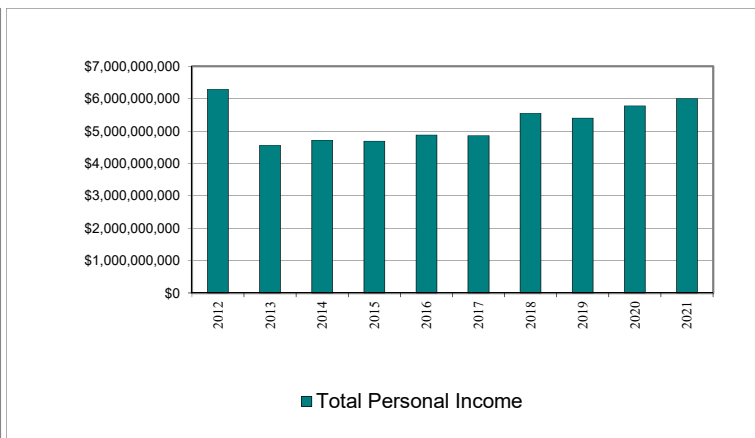
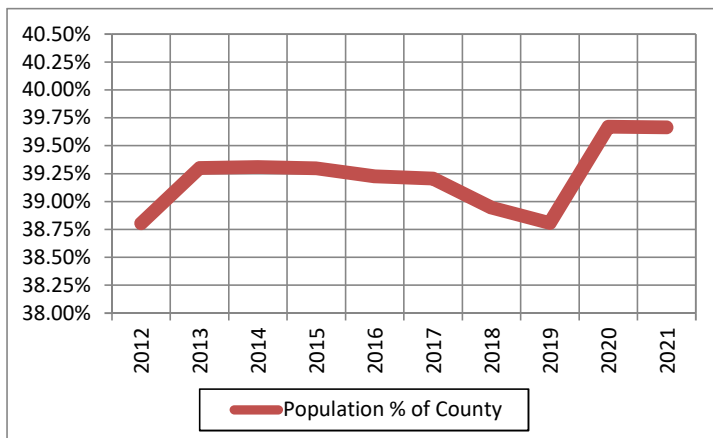
(1) Consists of all receipts of the Sewer fund not dedicated to capital spending purposes and including charges for services, connection fees, interest and rental income.

(2) Reflects total sewer fund operating expenses less depreciation; also includes certain transfers out that are made for operational costs incurred in other funds.

(3) Includes total principal and interest of Wastewater Refunding Revenue Bonds Series 2005 A and 2005 B and 2006 Wastewater Revenue Bonds. In fiscal year 2017, the City began the repaying State Revolving Fund loan for Phase 2 - Tertiary Treatment Project debt service. In fiscal year 2021 the State Revolving Fund loan was converted to Revenue Bonds.

(4) The amount reported in fiscal year 2014 was corrected from \$28.20m to \$19.86m. The former amount included \$8.34m for the State Revolving Fund loan which should not have been included in the calculation.

**CITY OF MODESTO  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**



Fiscal Year <sup>(1)(2)</sup>	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
2012	201,761	\$ 6,294,337,917	\$ 31,197	15.50%	519,940	38.80%
2013	205,987	4,566,113,829	22,167	12.70%	524,124	39.30%
2014	206,785	4,719,247,270	22,822	11.00%	526,042	39.31%
2015	209,186	4,693,924,654	22,439	9.30%	532,297	39.30%
2016	211,903	4,880,973,702	23,034	9.10%	540,214	39.23%
2017	212,287	4,856,701,986	22,878	7.80%	541,466	39.21%
2018	214,181	5,549,643,891	25,911	7.20%	549,976	38.94%
2019	215,030	5,396,177,850	25,095	6.50%	554,108	38.81%
2020	218,440	5,779,485,520	26,458	13.30%	550,660	39.67%
2021	219,294	5,999,445,252	27,358	7.60%	552,878	39.66%

(1) The population for 2020 was previously overreported as 222,335

(2) In 2020, unemployment rates increased due to the effects of the novel coronavirus, COVID-19.

Source: State of California, Department of Finance (population)  
 State of California, Employment Development Department (unemployment rate)  
 U.S. Department of Commerce, Census Bureau (income)

**CITY OF MODESTO  
PRINCIPAL EMPLOYERS**

Employer	2020/21			2012/13		
	Number of <sup>(1)</sup> Employees	Rank	Percentage of Total City Employment	Number of <sup>(1)</sup> Employees	Rank	Percentage of Total City Employment
E & J Gallo Winery	6,700	1	2.79%	3,181	1	3.13%
Stanislaus County	3,897	2	1.62%			
Modesto City Schools	3,200	3	1.33%	3,010	3	2.96%
Dotors Medical Center	2,600	4	1.08%	1,962	5	1.93%
Memorial Medical Ctr	2,087	5	0.87%	3,023	2	2.98%
Foster Farms Poultry	1,119	6	0.47%			
Del Monte Foods Inc	1,972	7	0.82%	1,700	8	1.67%
Stanislaus Food Products	1,500	8	0.62%	1,784	6	1.76%
Save Mart Supermarkets	1,315	9	0.55%			
Sylvan Union School District	917	10	0.38%			
Seneca				2,100	4	2.07%
Kaiser Permanente				1,759	7	1.73%
Modesto Junior College				1,522	9	1.50%
City of Modesto				1,250	10	1.23%
Subtotal	<u>25,307</u>		<u>10.53%</u>	<u>21,291</u>		<u>20.96%</u>
Total Labor Force	240,300					
Total City Population	219,294					

Source: Stanislaus Economic Development & Workforce Alliance

(1) The number of employees include both part-time and full time.

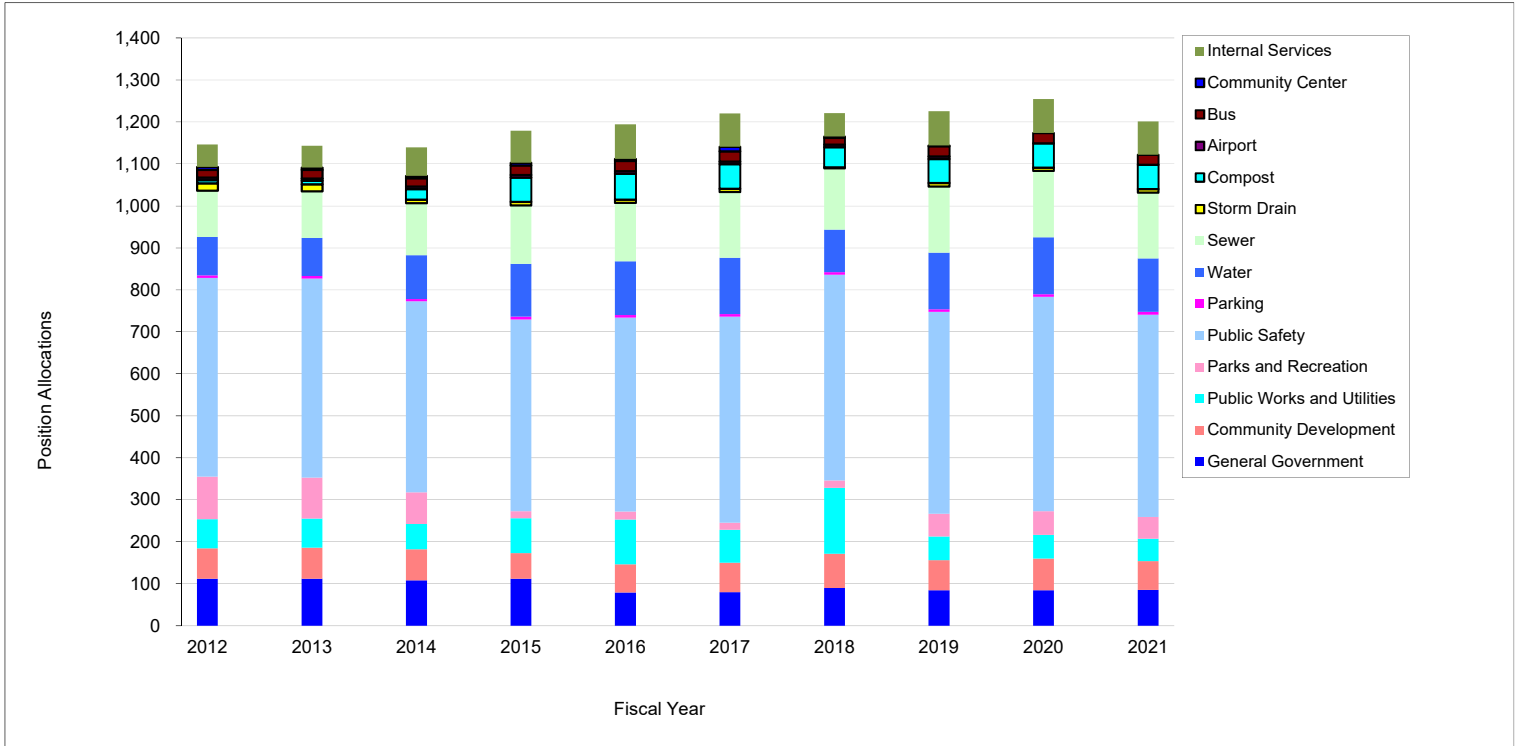
**CITY OF MODESTO  
PRINCIPAL PROPERTY TAXPAYERS**

Employer	2020/21			2012/13		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
E& J Gallo Winery	\$ 516,230,917	1	2.83%	\$ 213,804,233	4	0.56%
Pacific Gas & Electric Company	410,410,212	2	2.25%	198,075,294	3	0.58%
Gallo Glass Co.	396,970,472	3	2.18%	226,234,201	2	0.59%
Angel's Crossing, LLC.	13,477,123	4	0.07%	15,563,392	1	0.69%
Frito Lay, Inc.	213,457,740	5	1.17%	112,214,340	9	0.29%
California Dairies, Inc.	189,529,285	6	1.04%			
Excel Monte Vista, Lp.	145,472,777	7	0.80%			
WR. Griffin Patterson, LLC.	106,331,038	8	0.58%			
Doctors Med. Center of Mod., Inc.	148,022,930	9	0.81%	111,909,640	10	0.29%
Bronco Wine Company	143,375,924	10	0.79%	111,784,859	7	0.30%
WW Grainger, Inc				97,371,169	5	0.30%
Hunt Wesson Foods, Inc				109,754,487	6	0.30%
AT&T California				101,405,078	8	0.30%
Subtotal	<u>\$ 2,283,278,418</u>		<u>12.52%</u>	<u>\$ 1,298,116,693</u>		<u>4.20%</u>
Total assessed value of \$	\$ 18,230,267,571			\$ 11,493,664,521		

Source: Stanislaus County Treasurer-Tax Collector

Note: Information based on entire Stanislaus County

**CITY OF MODESTO  
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Function</b>										
General Government	112.00	112.00	108.00	112.10	79.00	80.00	90.00	84.00	84.00	85.00
Community Development	72.20	74.00	73.80	60.75	67.00	70.00	81.00	72.00	76.00	69.00
Public Works and Utilities	69.00	69.00	60.00	83.00	107.00	78.00	157.00	56.00	56.00	53.00
Parks and Recreation	101.48	97.50	75.38	16.50	18.50	17.50	17.50	54.75	56.75	51.75
Public Safety	473.75	474.00	455.00	456.50	462.50	490.50	490.50	480.50	510.50	482.00
Parking	6.00	6.00	6.00	7.00	6.00	6.00	6.00	6.00	6.00	7.00
Water	91.00	91.00	104.00	126.00	128.00	134.00	101.00	135.00	136.00	127.00
Sewer	111.00	111.00	124.00	139.00	139.00	157.00	146.80	158.00	158.00	157.00
Storm Drain	17.00	17.00	9.00	9.00	8.00	8.00	2.00	8.00	8.00	8.00
Compost	8.00	8.00	24.80	57.80	61.80	58.80	48.00	57.80	57.80	58.00
Airport	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bus	18.00	20.00	20.00	23.00	24.00	24.00	16.00	24.00	24.00	24.00
Community Center	7.25	5.50	5.50	6.00	5.00	11.00	3.00	2.00	2.00	1.00
Internal Services	53.00	52.00	67.30	76.00	82.00	79.00	56.00	81.00	81.00	79.00
<b>Total</b>	<b>1,145.68</b>	<b>1,143.00</b>	<b>1,138.78</b>	<b>1,178.65</b>	<b>1,193.80</b>	<b>1,219.80</b>	<b>1,220.80</b>	<b>1,225.05</b>	<b>1,262.05</b>	<b>1,207.75</b>

Source: City of Modesto

**CITY OF MODESTO  
OPERATING INDICATORS BY FUNCTION**

<b>Function/Program</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Public safety:</b>										
Fire:										
Fire calls for service <sup>(1)</sup>	20,970	22,846	24,281	24,712	21,135	26,288	28,444	30,341	31,415	30,741
Primary fire inspections conducted	1,618	818	989	1,050	764	1,060	1,509	2,011	2,687	1,993
Police:										
Communication Center calls answered										
Police calls for service	168,242	174,113	123,357	122,270	129,439	129,802	194,931	181,430	178,649	165,126
Law violations:										
Part I and Part II crimes	47,175	52,272	53,032	50,729	53,609	53,142	53,543	47,141	36,898	33,067
Physical arrests (adult and juvenile)	11,536	12,418	15,039	18,634	12,303	11,760	13,247	12,388	13,302	12,360
Traffic violations	16,330	14,761	15,477	12,700	11,451	15,428	16,930	17,098	16,263	13,767
Parking violations	15,772	12,150	12,327	5,493	6,139	10,841	9,414	7,443	3,781	477
<b>Public works</b>										
Streets:										
Street resurfacing (Slurry Seal lane miles)	-	6	12	8	4	12	4	8	1	123
Potholes repaired (Total # of repairs)	38,290	13,282	12,573	14,515	24,059	8,745	25,004	36,709	2,831	21,863
Water utility customer repaired (sq. ft)	112,136	81,261	29,108	611	-	-	-	-	-	-
Crack sealing (lane miles)	-	20	33	12	37	29	48	29	23	43
Airport:										
Number of passengers enplaned <sup>(2)</sup>	19,188	16,532	11,703	-	-	-	-	-	-	-
Number of tenant aircraft	184	184	172	162	173	162	153	167	160	164
Number of hangars	118	118	118	119	119	119	119	119	119	119
Number of runways	2	2	2	2	2	2	2	2	2	2
Annual fuel consumption in gallons	645,283	653,153	682,769	582,473	443,272	582,602	580,383	631,891	511,928	540,226
Bus service:										
Number of buses	55	65	55	56	60	59	57	61	61	69
Number of routes	20	20	20	21	21	21	17	17	17	19
Total route miles	362	362	362	362	362	362	245	245	245	338
Average weekday number of passengers	11,553	11,616	12,538	11,598	12,441	10,523	9,354	8,869	7,475	6,686
Total number of passengers carried	3,413,421	3,434,409	3,666,824	3,416,314	3,664,689	3,108,307	2,762,922	2,589,049	2,182,079	1,987,698
<b>Community development</b>										
Building safety & NPU:										
Permits issued	3,288	3,566	3,871	4,511	4,939	4,973	5,033	4,335	4,146	4,808
Estimated cost of construction	\$ 76,362,371	\$ 81,095,370	\$ 58,850,241	\$ 137,453,763	\$ 92,768,634	\$ 118,527,812	\$ 172,595,385	\$ 112,433,029	\$ 170,765,326	\$ 201,953,969
Building Inspections made	25,549	27,816	30,034	31,571	23,187	36,158	42,891	39,086	34,218	34,730
Traffic electrical:										
Street lights	13,765	13,765	13,761	13,764	13,764	13,764	13,764	13,764	13,764	13,764
Traffic signals	143	144	144	147	151	153	155	155	156	156
Lighted ped walks	30	28	29	28	28	28	24	26	26	26
Beacons	8	8	11	11	11	11	3	4	4	4
Four way flashers	9	10	10	10	10	10	5	3	3	3
School flashers	22	22	22	22	23	24	16	13	14	14
CCTV	38	41	41	41	41	41	30	24	24	24
Hubs	5	6	6	6	6	6	2	6	6	6
<b>Culture and recreation:</b>										
Recreation class participants <sup>(3)</sup>	2,072	264,670	150,514	151,323	150,091	150,500	154,000	160,656	116,131	28,240
Solid waste:										
Recyclables processed (tons per year)	67,317	37,647	46,936	55,020	56,493	71,155	62,701	60,947	62,617	60,332
Yard waste	58,650	55,147	39,117	48,832	58,730	62,859	64,873	66,017	82,866	46,373
Commercial food waste	735	765	827	817	845	914	1,550	1,145	1,192	2,783
Waste tires	1,247	1,674	4,969	4,152	4,497	4,931	4,285	4,320	5,089	4,501

(1) Fiscal year 2012-2013 Fire calls for service was originally reported incorrectly due to duplicate entries found on the National Fire Incident Report System (NFIRS) reports. This figure was corrected 10/24/2014.

(2) The enplanements subsided with the loss of commercial service in fiscal year 2013-2014.

(3) Fiscal year 2020-2021 Recreation class participants had decreased due the COVID-19 outbreak and classes were suspended.

Source: City of Modesto - Various Departments

**CITY OF MODESTO**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Function/Program</b>										
Public safety:										
Fire stations	11	11	11	11	11	11	11	11	11	11
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	98	105	105	105	105	104	104	100	105	100
Public works										
Streets:										
Miles of streets <sup>(1)</sup>	684	684	691	691	692	692	692	693	693	694
Water:										
Miles of water mains	1,008	1,009	1,009	914	887	887	908	908	914	916
Fire hydrants	7,566	7,584	7,596	7,748	7,845	7,859	7,921	7,974	8,026	8,043
Storage capacity (gallons)	12,300,000	12,300,000	12,300,000	12,300,000	18,300,000	18,300,000	18,300,000	22,300,000	22,300,000	22,550,000
Wastewater:										
Miles of sanitary sewers	642	639	639	639	639	655	656	656	656	657
Miles of storm sewers	183	183	183	183	183	170	170	170	170	170
Number of treatment plants <sup>(2)</sup>	2	2	2	2	2	2	2	2	2	2
Treatment capacity (millions of gallons) <sup>(5)</sup>	72	70	70	70	70	19	19	19	19	19
Community services:										
City parks <sup>(3)</sup>	76	76	76	76	76	76	76	76	76	76
City parks acreage	1,088	1,110	1,110	1,110	1,240	1,240	1,240	1,240	1,240	1,246
Playgrounds <sup>(6)</sup>	55	55	55	58	58	58	58	58	54	55
City trails <sup>(7)</sup>	7	7	7	6	6	6	6	6	6	9
City trails miles	14	14	14	15	15	15	16	16	17	17
Regional park acreage <sup>(8)</sup>	324	324	324	375	375	375	375	375	375	653
Regional park facilities:										
Golf courses (18 holes)	2	2	2	2	2	2	2	2	2	2
Golf courses (9 holes)	1	1	1	1	1	1	1	1	1	1
Clubhouse and banquet facility	8	8	8	8	8	8	8	8	8	8
Historic house <sup>(4)</sup>	4	4	4	4	3	3	3	3	3	3
Community gardens	2	2	2	2	2	1	1	1	1	1
Community centers	6	7	7	7	7	7	7	7	7	7
Senior centers	1	1	1	1	1	1	1	1	1	1
Sports centers	1	1	1	1	1	1	1	1	1	1
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	1	1	1	1	1
Tennis courts	37	37	37	37	37	37	37	37	37	37
Baseball/softball diamonds <sup>(8)</sup>	24	24	24	24	24	24	24	24	24	29
Soccer/football fields <sup>(8)</sup>	22	29	29	29	29	29	29	29	29	31
Splash play in Existing parks	10	10	10	10	10	10	10	9	9	9

(1) Information reported from the City's GIS system.

(2) The City has both a Primary and a Secondary treatment facility.

(3) The number of parks for fiscal years 2013, 2014, 2015 was reported incorrectly as 77. Figures have been corrected to reflect accurately since FY 2016.

(4) The number of historic houses was reduced by one due to the Crismon House burning down. There are no plans to rebuild.

(5) The City has a new process and permit. Previous permit was 70 million gallons daily seasonal Oct. through May. Current permit is 19 million gallons daily year round.

(6) In 2020 the number of playgrounds was reduced as playgrounds were removed to rebuild.

(7) Bike trails are being combined with City trails.

(8) Starting in 2021, the full survey of Parks, Sports fields & inventory methodology was changed. Park acreage is now defined more exactly.

Source: City of Modesto - Various Departments

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CONTINUING DISCLOSURE TAB



**CONTINUING DISCLOSURE  
SECTION**



## **Continuing Disclosure Section**

This part of the Annual Comprehensive Financial Report provides information in order to comply with the City's contractual commitment established by certain continuing disclosure undertaking of the City, entered into in accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule") for the City's bond obligations listed below. In contrast to the financial section, the continuing disclosure section information is not subject to independent audit.

1. Wastewater Revenue Refunding Bonds, Series 2018A
2. Wastewater Revenue Refunding Bonds, Series 2020A
3. Wastewater Revenue Refunding Bonds, Series 2020B
4. Water Revenue Refinancing Certificates of Participation, 2008 Series A
5. Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 2013G
6. Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION**  
**YEAR ENDED JUNE 30, 2021**

Wastewater Revenue Refunding Bonds, Series 2015,  
Wastewater Revenue Refunding Bonds, Series 2018 A, and  
Wastewater Revenue Refunding Bonds, Series 2020 A & B

Connection charge information: The Sewer Enterprise imposes connection fees on an on-time basis to new users of the sewer system and to users who significantly expand their usage. The fees have three components:

Capacity charge: \$2,643 per Equivalent Dwelling Unit for residential units. Commercial and industrial property charged based on type of business.  
 Sub-trunk sewer charge: \$645 per acre  
 Connection (lateral) charge: \$33 per linear foot of lot frontage adjacent to the sewer line.

<u>Customer Base by Type of Account</u>			
<u>Category</u>	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>% of Sewer Fee Operating Revenue</u>
Residential	58,907	94.7%	59.01%
Commercial	3,263	5.2%	17.36%
Industrial	52	0.1%	23.63%
Total	62,222	100.00%	100.00%

Ten Largest Users of Sewer Facilities, Year Ended 6/30/21

<u>User</u>	<u>Sewer Fee Revenue</u>	<u>% of Sewer Fee Operating Revenue</u>
1) E & J Gallo Winery	\$ 2,811,068	4.88%
2) Foster Farms	1,877,780	3.26%
3) Stanislaus Food Products	1,858,353	3.22%
4) Del Monte Foods	1,416,789	2.46%
5) Frito-Lay, Inc.	1,328,563	2.31%
6) City of Ceres	1,318,754	2.29%
7) Sunopta	945,350	1.64%
8) Nestle Food Company	710,553	1.23%
9) Rizo Food Company	659,083	1.14%
10) Paleteria	431,881	0.75%
Total (Top Ten Customers)	\$ 13,358,174	23.18%
Total (All Customers)	\$ 57,636,091	

The average single-family residence monthly sewer charge is: \$40.17

<u>Commercial Group</u>	<u>Charge Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)	\$3.69	\$4.68
Group 2 (commercial laundromats, service stations, hotels without food)	\$4.89	\$4.68
Group 3 (industrial laundromats, hotels with food)	\$6.08	\$4.68
Group 4 (restaurants, bakeries, auto steam, markets)	\$7.52	\$4.68

Industrial users pay a minimum account charge of \$4.68 with additional charges of: \$3,657 per million gallons of flow, \$256 per 1,000 pounds of excess biochemical oxygen demand (BOD), and \$511 per 1,000 pounds of Total Suspended Solids (TSS).

Industrial users on the Cannery Segregation line pay a minimum account charge of \$4.50 with additional charges of: \$3,191 per million gallons of flow, \$1.66 per 1,000 pounds of biochemical oxygen demand (BOD), and \$4.81 per 1,000 pounds of Total Suspended Solids (TSS) while in production during the months of July, August and September.

The Annual Budget of the City of Modesto is available from the City of Modesto Finance Department.

Updates of other required disclosures may be found elsewhere in this report, as follows:

Statement of Revenues, Expenses and Changes in Fund Net Position	Page 25	
Principal Amount of Bonds and Other Parity Debt	Page 49-51	(Note III-C)
Historical Debt Service Coverage	Page 141	
	(continued)	

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

**WASTEWATER COMPARISON INFORMATION**

Residential, commercial and industrial rates have increased according to the following approved schedule.

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Ten Year History of Rate Increases**

<b><u>Fiscal Year</u></b>	<b><u>Percent Increase</u></b>
2011-12	8.0%
2012-13	6.0%
2013-14	6.0%
2014-15	2.0%
2015-16	3.0%
2016-17	6.0%
2017-18	6.0%
2018-19	6.0%
2019-20	6.0%
2020-21	4.0%

***Comparative Monthly Wastewater Service Charges.***

The City's residential charges as of July 1, 2020 are set forth below with a comparison to other Central Valley and Northern California cities.

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Monthly Sewer Charge Comparison**  
**Residential Service**  
**As of July 1, 2020**

<b><u>City</u></b>	<b><u>Monthly Residential Charge</u></b>
Fresno	\$ 25.75
Lodi	40.92
<b>Modesto</b>	<b>41.78</b>
Stockton	42.63
Tracy	34.00
Turlock	28.95

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Wastewater Connection Fees Comparison**  
**As of July 1, 2020**

<u>City</u>	<u>Connection Fee</u>
Fresno <sup>(1)</sup>	\$ 2,671.00
Lodi <sup>(2)</sup>	5,320.00
<b>Modesto</b>	<b>2,643.00</b>
Stockton	2,264.41
Tracy	8,305.00
Turlock	2,973.30

(1) Connection fees are based on the size of the lot & location.

(2) Connection fees are based on the size of the water meter.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

Water Revenue Refinancing Certificates of Participation, 2008 Series A

Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 2013G<sup>(1)</sup>

Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F<sup>(1)</sup>

Reserve Account Requirement as of 6/30/21	\$ 4,011,410
Surety Policy Value:	(2,082,513)
Balance in Parity Reserve Account as of 6/30/21	<u>(1,931,230)</u>
Shortfall/(Excess) Reserve Coverage:	<u>\$ (2,333)</u>

Ten Largest Customers of Water Utility System, Year Ended 6/30/21

<u>Customer</u>	<u>Business Type</u>	<u>Usage <sup>(ccf)</sup> (2)</u>	<u>% of Total Usage</u>	<u>Water Sales Revenue (\$)</u>	<u>% of Total Water Sales Revenue</u>
1) Modesto City Schools	Education	456,810	1.95%	\$ 1,241,595	1.58%
2) City of Modesto	Local Government	400,313	1.70%	1,222,628	1.55%
3) Foster Farms	Dairy Processor	398,550	1.70%	809,702	1.03%
4) Stanislaus Food Products	Cannery	339,824	1.45%	742,086	0.94%
5) Stanislaus Housing Authority	Housing Authority	171,186	0.73%	515,320	0.65%
6) Sunopta	Cannery	234,826	1.00%	489,779	0.62%
7) E & J Gallo Winery	Processor	168,915	0.72%	471,231	0.60%
8) Modesto Irrigation District	Power Company	184,987	0.79%	448,130	0.57%
9) Yosemite Community College	Education	109,436	0.47%	325,030	0.41%
10) STANCO	Local Government	88,851	0.38%	325,004	0.41%
Total Top Ten		<u>2,553,698</u>	<u>10.89%</u>	<u>\$6,590,505</u>	<u>8.36%</u>

Total Flat/Metered Revenues (Water Sales) \$ 78,702,292

(1) Grover Landscaping maintains City parks

(2) "ccf" means "hundred cubic feet"

Water Sales Revenue, Year Ended 6/30/2021

Residential - flat rates	\$ 2,533,090
Commercial, industrial and municipal - metered rates	<u>76,169,202</u>
Total Water Sales	<u>\$ 78,702,292</u>

The average monthly flat rate service charge for residential customers is: \$ 68.08

Current Water Rates as of 07/01/2020- Commercial Accounts

<u>Meter Size</u>	<u>\$</u>
3/4"	24.94
1"	36.11
1 1/2"	64.04
2"	97.55
3"	203.66
4"	360.04
6"	734.22
8"	1,348.56
10"	2,130.44
12"	2,800.62

In addition to these minimum charges, commercial accounts are charged \$1.98 per 100 cubic feet of water used.

The Annual Budget of the City of Modesto is available from the City of Modesto Finance Department.

(1) Water Fund parity debt obligations, issued by the Modesto Irrigation District Financing Authority, on behalf of the City, and pursuant to the 1992 Treatment and Delivery Agreement between the District and the City. In fiscal year 2013- 2014 Modesto Irrigation District Financing Authority refunded the 1998 D Bond, with the 2013 G Bond. At fiscal year end 2020-2021, the balance of the 2013 G Bond was \$11,310,000 and the balance of the 2007 F Bond was \$93,190,000.

(2) Water sales only reflect the revenues in the Water Operating Fund and do not include revenue generated from developer fees and fleet replacement revenues.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**CITY WATER- HISTORICAL DEBT SERVICE COVERAGE**  
**LAST TEN FISCAL YEARS**

CITY WATER UTILITY SYSTEM  
Historical Debt Service Coverage

	2012	2013 <sup>(1)</sup>	2014 <sup>(9)</sup>	2015 <sup>(7)</sup>	2016 <sup>(8)</sup>	2017	2018 <sup>(13)</sup>	2019 <sup>(14)</sup>	2020 <sup>(16)</sup>	2021
Charges for services	\$ 53,453,708	\$ 56,906,488	\$ 56,940,812	\$ 54,779,417	\$ 51,489,077	\$ 63,253,114	\$ 68,928,504	\$ 71,952,653	\$ 76,996,091	\$ 80,908,193
Connection charges	516,839	295,632	357,432	1,024,626	935,987	1,435,654	1,661,151	1,081,913	1,904,330	1,559,621
Refunds, damages & recoveries	166,522	260,802	215,271	20,988	511,063	57,533	(121,929)	95,591	92,786	(801,155)
Interest and rental income	670,046	174,224	235,246	353,305	535,823	574,899	689,500	999,269	1,086,126	864,989
Service credits	2,966,465	3,201,951	2,678,999	3,033,487	3,026,911	3,304,911	3,408,238	3,309,703	3,576,012	3,654,881
Miscellaneous <sup>(15)</sup>	118,203	150,949	154,700	365,808	2,979,500	231,134	1,117,571	1,120,960	1,243,999	1,738,084
<b>Total gross operating revenues</b>	<b>\$ 57,891,783</b>	<b>\$ 60,990,046</b>	<b>\$ 60,582,460</b>	<b>\$ 59,577,631</b>	<b>\$ 59,478,361</b>	<b>\$ 68,857,245</b>	<b>\$ 75,683,035</b>	<b>\$ 78,560,089</b>	<b>\$ 84,899,344</b>	<b>\$ 87,924,613</b>
Operating expenses <sup>(2)(12)</sup>	\$ 30,755,822	\$ 28,530,554	\$ 36,598,298	\$ 33,773,198	\$ 38,722,320	\$ 35,508,887	\$ 35,685,576	\$ 38,806,127	\$ 39,167,326	\$ 42,088,154
Operating transfers <sup>(3)</sup>	1,257,406	838,421	765,000	765,000	765,954	765,000	1,239,943	3,129,583	2,241,135	3,283,246
<b>Total operating expenses <sup>(4)</sup></b>	<b>\$ 32,013,228</b>	<b>\$ 29,368,975</b>	<b>\$ 37,363,298</b>	<b>\$ 34,538,198</b>	<b>\$ 39,488,274</b>	<b>\$ 36,273,887</b>	<b>\$ 36,925,519</b>	<b>\$ 41,935,710</b>	<b>\$ 41,408,461</b>	<b>\$ 45,371,400</b>
<b>Net operating revenues</b>	<b>\$ 25,878,555</b>	<b>\$ 31,621,071</b>	<b>\$ 23,219,162</b>	<b>\$ 25,039,433</b>	<b>\$ 19,990,087</b>	<b>\$ 32,583,358</b>	<b>\$ 38,757,516</b>	<b>\$ 36,624,379</b>	<b>\$ 43,490,883</b>	<b>\$ 42,553,213</b>
2008 Revenue Certificates of Participation	\$ 2,684,462	\$ 2,632,225	\$ 2,648,783	\$ 2,531,179	\$ 2,313,857	\$ 2,468,593	\$ 2,268,298	\$ 2,121,410	\$ 2,309,687	\$ 2,130,448
MID Treatment & Delivery Agreement <sup>(5)</sup>	10,888,790	10,889,760	8,885,208	9,930,040	10,203,352	10,202,108	10,208,384	10,214,947	10,213,274	10,709,280
CDWR Loan	255,942	264,719	264,719	262,692	131,322	-	-	-	-	-
ARRA Grant	5,137	36,289	36,103	36,095	36,089	36,084	36,080	37,123	39,350	37,540
<b>Total debt service</b>	<b>\$ 13,834,331</b>	<b>\$ 13,822,993</b>	<b>\$ 11,834,813</b>	<b>\$ 12,760,006</b>	<b>\$ 12,684,620</b>	<b>\$ 12,706,785</b>	<b>\$ 12,512,762</b>	<b>\$ 12,373,480</b>	<b>\$ 12,562,311</b>	<b>\$ 12,877,268</b>
<b>Debt service coverage <sup>(10)(11)</sup></b>	<b>1.87</b>	<b>2.29</b>	<b>1.96</b>	<b>1.96</b>	<b>1.58</b>	<b>2.56</b>	<b>3.10</b>	<b>2.96</b>	<b>3.46</b>	<b>3.30</b>

(1) In fiscal year 2012-13, the amount reported for Charges for Services was incorrectly reported in the amount of \$59,906,488. The correct amount is \$56,906,488 which is reflected in the table above.

(2) Reduced fiscal year 2015- 2016 Operating Expenses as the \$131,322 CDWR Loan payment (along with 2 dollars attributed to rounding error) were counted both in Operating Expense and in the debt service section.

(3) Includes operating transfers for building rental fee of \$65,000 annually and commencing in fiscal year 2009-2010 \$700,000 annual transfer to the Storm Drain Fund to actively protect the groundwater supply source from contamination. In fiscal year 2011-12 \$668,610 a one time transfer for information technology internal service funds.

(4) Total operating expenses excludes depreciation and amortization, as well as the debt service component under the Treatment and Delivery Agreement. fiscal year 2015-2016 Total operating expense reduced from \$39,619,604 to \$39,488,274 since the Operating expenses was adjusted (see note 2)

(5) Increased fiscal year 2014-2015 2008 Revenue Certificates of Participation from \$2,501,891 to \$2,531,179 to account for actual expenditure instead of the internal transfer.

(6) Reduced fiscal year 2014-2015 Operating expenses from \$40,349,338 to \$33,773,198.

(7) The sale of the Waterford-Hickman Water System for \$2.6 million had a significant impact to the Water Fund debt service calculation. Without the sale of this system Water Fund debt service coverage would have been 1.35. Reduced fiscal year 2015-2016 Operating Expenses as the \$131,322 Del Estate Water Company loan payment (along with \$2 dollars attributed to rounding error) were counted both in Operating Expense and in the Debt service section.

(8) Del Estate Water Company (CDWR) loan payment for fiscal year 2014-2015 was reduced from \$264,719 to \$262,692 and fiscal year 2015-2016 reduced from \$264,719 to \$131,322. Loan repayment was completed in fiscal year 2015-2016.

(9) Changed fiscal year 2014-2015 ARRA Grant from \$36,290 to \$36,095 and changed fiscal year 2015-2016 ARRA Grant from \$36,290 to \$36,089. Fiscal year 2012-2013 rate was reported incorrectly in previous reports.

(10) Fiscal year 2015-2016 Debt service coverage increased from 1.55 to 1.57 and fiscal year 2014-2015 Debt service coverage increased from 1.45 to 1.96 after above stated changes were made.

(11) The financial figures reported only reflect net operating revenues in the Water Operating Fund.

(12) Fiscal year 2017-2018 Miscellaneous revenues include \$1,048,863 of one-time transfer as result of the dissolution of the Central Stores Fund.

(13) Fiscal year 2018-2019 Operating Transfers of \$3,129,583 includes \$2,300,000 in one-time loan to fund 4893 (Carpenter Road Landfill) to be repaid over 6 years.

(14) Fiscal year 2019-2020 Miscellaneous revenues include the first, interest-only payment of the fiscal year 2018-2019 Loan from the Water fund to the Carpenter Road Landfill Fund.

(15) Fiscal year 2019-2020 Operating Transfers of \$2,241,135 include \$900,000 in one-time loan to fund 4893 (Carpenter Road Landfill). This \$900,000 is in addition to the \$2,300,000 that was borrowed in Fiscal Year 2018-2019.

(16) Fiscal year 2020-21, Negative refunds, damages, and recoveries is due to large negative change in Fair Market Value. Operating Transfers include a new \$1,540,000 loan to the Carpenter Road Landfill.

Source: City of Modesto

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**CITY WATER UTILITY SYSTEM**  
**PROJECTED OPERATING RESULTS <sup>(1)</sup>**

The City has prepared the following table of projections of operating results of the Water Utility System for the five fiscal years 2022-26. The projected amounts set forth below are based on certain assumptions made by the City. To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary.

	Fiscal Year Projected 2022	Fiscal Year Projected 2023	Fiscal Year Projected 2024	Fiscal Year Projected 2025	Fiscal Year Projected 2026
Charges for services <sup>(1)</sup>	\$ 81,212,000	\$ 81,232,793	\$ 81,232,793	\$ 81,232,793	\$ 81,232,793
Connection charges	1,155,567	1,178,678	1,202,251	1,226,296	1,250,822
Refunds, damages & recoveries	185,800	189,516	193,306	197,172	201,115
Interest and rental income	341,000	311,820	285,656	262,209	241,209
Service credits	2,952,335	2,981,858	3,011,676	3,041,793	3,072,211
Miscellaneous	2,000	2,040	2,080	2,122	2,164
6-year Loan Repayment from fund 4893 (Carpenter Road Landfill)	721,900	721,900	721,900	721,900	721,900
Total gross operating revenues	<u>\$ 86,570,602</u>	<u>\$ 86,618,605</u>	<u>\$ 86,649,662</u>	<u>\$ 86,684,285</u>	<u>\$ 86,722,214</u>
Operating expenses	\$ 52,345,545	\$ 53,480,959	\$ 54,641,295	\$ 55,827,106	\$ 57,038,957
Operating transfers	765,000	765,000	765,000	765,000	765,000
Total operating expenses	<u>\$ 53,110,545</u>	<u>\$ 54,245,959</u>	<u>\$ 55,406,295</u>	<u>\$ 56,592,106</u>	<u>\$ 57,803,957</u>
Net operating revenues	<u>\$ 33,460,057</u>	<u>\$ 32,372,646</u>	<u>\$ 31,243,367</u>	<u>\$ 30,092,179</u>	<u>\$ 28,918,257</u>
2008 Revenue Certificates of Participation	\$ 3,076,639	\$ 3,076,639	\$ 4,244,303	\$ 4,240,014	\$ 4,240,014
MID Treatment & Delivery Agreement	10,443,035	9,065,124	8,398,606	8,409,205	8,409,205
ARRA Grant	36,600	36,600	36,600	36,600	36,600
Total debt service	<u>\$ 13,556,274</u>	<u>\$ 12,178,363</u>	<u>\$ 12,679,509</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>
Debt service coverage	2.47	2.66	2.46	2.37	2.28

Source: City of Modesto.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

**CITY WATER UTILITY SYSTEM STATISTICS**  
**(Calendar Years 2012 through 2021)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of Service Accounts	76,788.0	75,357.0	75,006.0	74,665.0	72,825.0	73,135.0	73,423.0	73,591.0	73,897.0	74,094.0
Total Water Production <sup>(MG)</sup> <sup>(1)</sup>	21,765.0	21,606.0	20,630.0	17,692.0	15,155.0	15,319.5	16,782.0	16,059.0	17,141.6	17,569.0
Capacity <sup>(MGD)</sup> <sup>(2)(3)</sup>	175.2	175.2	175.2	175.2	175.2	175.2	168.0	168.2	170.3	135.0
Peak Daily Distribution <sup>(MGD)</sup>	97.2	99.8	95.3	84.6	74.7	84.3	77.5	83.5	75.1	75.9
Average Daily Distribution <sup>(MGD)</sup>	59.5	59.2	56.5	48.5	41.5	42.0	46.0	44.0	47.0	48.1

(1) "MG" means million gallons.

(2) "MGD" means million gallons daily.

(3) Capacity for FY 2021 was reported using source (wells) and surface water capacity; will be reported this way moving forward.

**CITY WATER UTILITY SYSTEM**  
**Service Area Total Production (Billion Gallons)**  
**(Fiscal Years 2012 through 2021)**

Fiscal Year Ended	Well Water	Surface Water	Total
2012	11.57	10.19	21.76
2013	10.62	10.99	21.61
2014	10.72	9.91	20.63
2015	10.63	5.85	16.48
2016	9.22	5.02	14.24
2017	8.63	5.86	14.49
2018	9.82	6.23	16.05
2019	5.45	9.86	15.31
2020	7.71	8.76	16.47
2021	7.12	9.56	16.68

**CITY WATER UTILITY SYSTEM**  
**Average Monthly Water Rates Comparison**  
**Flat Rate (1" Service)**  
**As of July 1, 2020**

City	Flat Rate Typical Home
Fresno <sup>(1)</sup>	\$ 17.90
Lodi <sup>(2)</sup>	33.90
<b>Modesto</b>	<b>68.08</b>
Stockton <sup>(1)</sup>	33.90
Tracy <sup>(2)</sup>	30.90
Turlock <sup>(1)</sup>	90.85

(1) Water is metered. Charge varies per meter size.

(2) Water is both metered and flat rate. Charge varies per meter and dwelling size.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

The following table sets forth connection fees for all users except multi-family units by meter size for year 2020-2021:

**CITY WATER UTILITY SYSTEM**  
**Connection Fees Comparison**  
**Except Multiple Family Units**  
**(Fiscal Year 2020-2021)**

<u>Meter Size</u>	<u>Connection Fees</u>
5/8" meter**	\$ 2,202
1" meter	3,671
1-1/2" meter	7,341
2" meter	11,746
3" meter	25,695
4" meter	46,250
6" meter	95,437
8" meter	176,191
10" meter	278,970
12" meter	367,065

\*\*NOTE- Single-family residences qualify for the 5/8" connection fee only under the following conditions:  
 Single story, single-family residences on a lot of 4,000 square feet or less.  
 Two-story single family residence on a lot of 4,000 square feet or less, provided the request for such a service accompanied by a report from a licensed professional engineer that certifies that the 5/8" service is adequate to meet the needs of the proposed dwelling.  
 A 5/8" "service" shall not be allowed for a single-family dwellings of greater than 2 stories on lots less than 4,000 square feet.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

**CITY WATER UTILITY SYSTEM**  
**Sale of Water**  
**(Year Ended June 30, 2021)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Residential (Flat Rates)	\$14,464,689	\$12,955,005	\$10,723,594	\$9,037,477	\$7,320,096	\$6,767,446	\$5,506,216	\$4,385,017	\$3,450,868	\$2,533,090
Commercial, Industrial and Municipal (Metered)	37,162,861	42,452,862	44,093,862	43,118,855	40,242,493	51,960,729	60,113,019	62,933,627	70,175,513	76,169,202
Total Water Sales	<u>\$51,627,550</u>	<u>\$55,407,867</u>	<u>\$54,817,456</u>	<u>\$52,156,332</u>	<u>\$47,562,589</u>	<u>\$58,728,175</u>	<u>\$65,619,235</u>	<u>\$67,318,644</u>	<u>\$73,626,381</u>	<u>\$78,702,292</u>

The table below sets forth the adopted single family residential flat rates effective each fiscal year

**CITY WATER UTILITY SYSTEM**  
**Monthly Single Family Residential Flat Water Rates <sup>(1)</sup>**

Lot Size	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
0-5,000 sq. ft. lot	\$38.69	\$39.89	\$40.81	\$40.81	\$40.81	\$47.38	\$48.77	\$52.97	\$56.11	\$59.48
5,001-7,000 sq. ft. lot	43.98	45.34	46.38	46.38	46.38	54.72	56.23	60.89	64.23	68.08
7,001-11,000 sq. ft. lot	52.18	53.80	55.04	55.04	55.04	69.22	70.98	76.52	80.26	85.08
11,001-17,000 sq. ft. lot	55.40	57.12	58.43	58.43	58.43	90.88	93.00	99.87	104.22	110.47
over 17,000 sq. ft. lot	65.13	67.15	68.69	68.69	68.69	101.80	104.10	111.65	116.3	123.28

(1) Single family residential properties with water meters that are read for billing purposes, are charged the meter water rate.

NOTE: Additional financial information available at [www.modestogov.com](http://www.modestogov.com)

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2021**

The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2020-21.

**CITY WATER UTILITY SYSTEM**  
**Water Rates and Charges**  
**Commercial Accounts**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Volume-based Rate (\$/hcf)	\$ 1.33	\$ 1.37	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.79	\$ 1.82	\$ 1.93	\$ 1.98	\$ 1.98
Fixed Monthly Meter Charge (in addition to volume-based charges)										
5/8"-3/4" meter	\$ 14.25	\$ 14.69	\$ 15.03	\$ 15.03	\$ 15.03	\$ 20.79	\$ 21.47	\$ 23.34	\$ 24.94	\$ 24.94
1" meter	20.22	20.85	21.33	21.33	21.33	29.30	30.39	33.48	36.11	36.11
1-1/2" meter	34.99	36.07	36.90	36.90	36.90	50.58	52.71	58.83	64.04	64.04
2" meter	52.79	54.43	55.68	55.68	55.68	76.11	79.49	89.25	97.55	97.55
3" meter	100.31	103.42	105.80	105.80	105.80	156.98	164.30	185.59	203.66	203.66
4" meter	153.71	158.48	162.13	162.13	162.13	276.14	289.28	327.55	360.04	360.04
6" meter	301.95	311.31	318.47	318.47	318.47	561.28	588.33	667.24	734.22	734.22
8" meter	479.94	494.82	506.20	506.20	506.20	1,029.42	1,079.32	1,224.95	1,348.56	1,348.56
10" meter	687.63	708.95	725.26	725.26	725.26	1,625.23	1,704.21	1,934.76	2,130.44	2,130.44
12" meter	1,280.84	1,320.55	1,350.92	1,350.92	1,350.92	2,135.93	2,239.84	2,543.16	2,800.62	2,800.62

Note: Additional financial information is available at [www.modestgov.com](http://www.modestgov.com)

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**FISCAL YEAR ENDED JUNE 30, 2021**

**BOND RATINGS**

<b><u>Bonds</u></b>	<b><u>Moody's Rating</u></b>	<b><u>Standard &amp; Poor's Rating</u></b>	<b><u>Fitch Rating</u></b>
2008 Lease Revenue Bonds	Aa3	A/A-1	AA-
2008 Water Certificates of Participation	Aa3		
Wastewater Revenue Bonds, Series 2018A		AA	
Wastewater Revenue Bonds, Series 2020A		AA	
Wastewater Revenue Bonds, Series 2020B		AA	

Sources: [www.moodys.com](http://www.moodys.com)  
[www.standardandpoors.com](http://www.standardandpoors.com)  
[www.Fitchratings.com](http://www.Fitchratings.com)